

The War Finance Corporation

By EUGENE MEYER, Jr.
Managing Director of the Corporation

**Its Role in Working with the Bankers for National Economic Adjustment—
The Existence of the Corporation Has Tended to Inspire Confidence—Best
Serves Producers by Doing Everything that Properly Could be Done to
Foster the Development of the Commercial Organizations Which Must Ulti-
mately Take Over the Burden—What the Corporation Has Done to Furnish an
Outlet for Great Quantities of the Nation's Production—The Way to Get Loans**

BANKERS generally are familiar with the origin and purposes of the War Finance Corporation. They may not realize, however, the extent to which its facilities and resources have been used within the past sixty days to aid in financing American products for export. I am very glad, therefore, to accept the invitation of the editor of the JOURNAL to give an outline of the extent to which we are working through bankers and exporters to assist in the difficult problem of economic readjustment.

President Harding's plan, proposed to the Congress on July 26, to extend the powers of the Corporation, not only with reference to agricultural financing, but also with reference to relief for the railroads, is too well understood to require elaboration in this article. Nor would it be proper for us to make any premature plans or representations, but it may be permissible to say, in passing, that the Corporation will be ready to do its full share if the Congress sees fit to enact the legislation requested by the President.

Current Statement

The Corporation has on hand a cash credit with the Treasurer of the United States of \$403,827,771.29. It has outstanding loans amounting to \$99,903,839.39, of which \$65,856,479.59 represent loans under its war powers.

Outstanding loans under its export finance authority total \$34,047,359.80.

The loans heretofore made under war and post-war powers aggregate \$359,586,049.58.

Repayments aggregate \$259,682,210.19.

Repayments of loans made under its export finance authority total \$18,820,034.01.

Repayments of loans granted under the war powers total \$240,862,176.18.

Loans Since Resumption

The advances which have been approved by the Corporation since it resumed operations in January, or which are now under negotiation, total \$63,471,700. Of this sum \$32,696,700 represents advances ap-

proved by the Corporation, while the remaining \$30,775,000 represents business that is in process of negotiation; and approximately 93 per cent. of the total covers agricultural commodities. The largest transactions relate to cotton, the nation's greatest single export commodity, on which the Corporation has agreed to loan \$16,560,000. In addition, there are pending before it applications involving \$15,225,000 and covering the financing of approximately 500,000 bales of cotton, including 200,000 bales for a co-operative association in Oklahoma and 300,000 bales for a similar organization in Texas. The transactions pending and approved represent, in the aggregate, approximately 1,000,000 bales of cotton.

The business under negotiation in connection with wheat exports represents an application from co-operative associations in the Northwest for an advance of \$7,500,000 on approximately 10,000,000 bushels. Assistance has been given in financing the exportation of approximately 7,000 hogsheads of tobacco, involving \$1,848,600, and

another transaction covering more than 18,000 hogsheds, involving \$6,500,000, is being developed.

The Corporation also has agreed to advance \$8,500,000 to banking institutions on shipments of condensed milk and \$250,000 to a co-operative association on exports of California canned fruits and vegetables. If satisfactory arrangements can be made, additional advances aggregating about \$550,000 may be made to the latter organization. Loans on meat products, totaling \$2,000,000, have been approved, and other advances agreed to include the following: On railway equipment to China, \$2,925,000; on copper and sheet steel to Italy, \$325,600; and on sugar mill machinery to Cuba, \$287,500. An additional application for an advance of \$1,000,000 in connection with the exportation of railway equipment to Canada is under negotiation.

The accompanying table shows, in summary form, the present status of the business of the War Finance Corporation:

Commodity	Approved	Under Negotiation
Cotton	\$16,560,000	\$15,225,000
Wheat.....		7,500,000
Tobacco	1,848,600	6,500,000
Condensed milk...	8,500,000	
Canned fruits and vegetables	250,000	550,000
Meat products....	2,000,000	
Railroad equipment	2,925,000	1,000,000
Copper	145,600	
Sheet steel.....	180,000	
Sugar mill machinery	287,500	
Totals.....	\$32,696,700	\$30,775,000
To banking institutions	\$22,918,200	\$25,000
To exporters	9,778,500	30,750,000
Totals.....	\$32,696,700	\$30,775,000

It should be added that many other propositions have been submitted to the Corporation, but as they are still in the initial stages of consideration they have not been incorporated in this statement.

Service Cannot be Measured

I wish to point out in this connection that the service rendered by the Corporation in the emergency through which we are passing cannot be fully measured by any mere financial statement. It has exercised during the past few months,

and is continuing to exercise, an influence that is exceedingly helpful from the psychological point of view. In fact, its very existence, with the large funds at its command, has tended to inspire confidence, and several agreements to make loans in case of need have not been followed by the actual advance of funds because the prospective borrowers, strengthened by the assurance of aid through the Corporation, have been able to obtain the necessary funds through other channels. I may say also that the Corporation has recently assisted in obtaining the cooperation of the New York and Chicago bankers in raising a loan fund of \$50,000,000 to relieve the unusual conditions confronting the live-stock industry. Word has been received from Chicago to the effect that the Stock Growers' Finance Corporation, the organization created by the bankers to handle the fund, already has agreed to loan approximately \$4,500,000.

Aid Through Banking Channels

The War Finance Corporation has realized all along that it is merely a temporary agency, and we have felt, therefore, that it would be desirable to extend aid as far as possible through banking institutions. It has been our thought that we could best serve the producers of the country—agricultural, manufacturing and mining—by doing everything that properly could be done to foster the development of the commercial institutions or organizations which ultimately must take over the burden—the institutions or organizations which must be called upon to do the business of the country after the emergency has passed. The organization of the Federal International Banking Company of New Orleans—the Edge Law bank in the South, with a subscribed capital of \$7,000,000, secured largely from banking institutions—was due, in no small measure, according to statements made by officers of the company, to the encouragement given by the War Finance Corporation. Only a few days ago the Corporation approved a loan to the company of \$1,250,000 to assist in the financing of approximately 25,000 bales of cotton for export; and it has agreed also to make ad-

vances to the company up to a total of \$5,000,000 to finance, as the business develops, an additional 100,000 bales.

Proper Way to Get Loans

Under its existing authority the Corporation is authorized to make advances, within a period of one year after the proclamation of peace by the President, (1) "to any person, firm, corporation or association engaged in the business in the United States of exporting therefrom domestic products to foreign countries, if such person, firm, corporation or association is, in the opinion of the board of directors of the Corporation, unable to obtain funds upon reasonable terms through banking channels," and (2) "to any bank, banker or trust company in the United States which after this section takes effect makes an advance to any such person, firm, corporation or association for the purpose of assisting in the exportation of such products."

Circular No. 1, issued by the War Finance Corporation on May 14, 1921, outlines, in a general way, the requirements of the Corporation in connection with applications for advances to American bankers and exporters. It recites the law under which the Corporation is operating and sets forth the procedure that should be followed in making applications. It indicates also the papers, documents and other evidence required by the Corporation and includes suggested forms of application.

Form of Obligation Required

All advances made by the Corporation, whether to exporters or to banks, bankers or trust companies, must be evidenced by an instrument imposing a direct and unconditional obligation on the borrower, with full and adequate security. Where the borrower is an exporter a negotiable promissory note, executed by the borrower as maker, will in general be required. Where the borrower is a bank, banker or trust company, the Corporation will accept either a note executed by the borrower as maker or a draft accepted by the borrower, or a note or other negotiable instrument indorsed by the borrower waiving protest, notice of protest,

notice of dishonor, extension of time, substitution of collateral or other indulgence.

Where the waiver is inserted in the body of the note it should be in the form set forth at length on page 20 of the circular, copies of which may be obtained upon application either to the Corporation or to the various Federal reserve banks and their branches. Where it is indorsed on the back of the note over the signature of the indorser it may be in the following form: "Waiving protest, notice of protest, notice of dishonor, extension of time, substitution of collateral, or other indulgence."

Special conditions imposed in any transaction may be incorporated in the form of obligation prescribed or in a collateral agreement, as the circumstances of each case requires.

Dependent Upon Resources

If the applicant is an exporter, it must appear to the satisfaction of the Corporation that the advance applied for cannot be obtained through the usual banking channels. The amount which may be loaned to any given exporter is dependent upon his financial strength, taking into account the collateral offered. Advances to banking institutions are dependent upon the financial strength of the bank and not necessarily upon that of the exporter. Loans direct to the latter must be at a rate of interest not less than "one per centum per annum in excess of the rate of discount for ninety-day commercial paper prevailing at the time of such advance at the Federal reserve bank of the district in which the borrower is located," while the rate to banking institutions is left to the discretion of the board of directors. The aggregate advances made by the Corporation cannot at any time exceed \$1,000,000,000, while the period for which any advance may be made is limited to five years.

No Longer the Critical Factor

The authority to make advances in connection with export transactions was granted by the Congress in March, 1919, upon the recommendation of the board of directors and with the approval of the Secre-

tary of the Treasury. In discussing the proposal before the Congressional committees I said at that time:

"We need at once, and on a large scale, an outlet for great quantities of our products. We cannot sell if we demand payment now, because our customers have neither the gold nor the goods nor securities marketable in this country with which to make payment. We should put our people in a position to extend credit for a long enough period to encourage and justify the purchase of our products. The proposed amendment is not designed to displace private enterprise or to put the government permanently into the general banking business. It is limited as to time and as to purpose. It is intended primarily to help our own industry, our own labor, our own finance and thus our own national well-being. Nevertheless, a prompt restoration of our international trade will do much more; it will enable Europe to restore its industry and employment of labor, and thus hasten its political and social peace. In extending credits at this time to foreign merchants to enable our industries and theirs

to resume normal activity promptly I believe we would be making a most important contribution toward international peace and prosperity and that the results arising would benefit alike the country extending the credits and the countries which receive them."

But the problem today is quite different from what it was in March, 1919. Then it was largely a problem of credits; today it is a question of markets much more than it is of credits; and it is a problem of domestic markets even to a greater extent than it is of foreign markets. Our study of the situation has clearly developed the fact that foreign credits are no longer the critical factor; but the handling of our products which are ultimately destined for exports continues to be an important problem in the present situation. This problem the War Finance Corporation is endeavoring to meet so far as it is possible to do so under its present limited powers, and it has steadily broadened its policies, as the announcements regarding its various transactions indicate, with this end in view. In this task it seeks and earnestly desires the active cooperation and assistance of the whole banking fraternity.

Home Ownership Decreased

Obviously, one of the most difficult problems in front of the entire country, is that of housing. I need not recount to you that the cause of this critical problem has been the diversion of our economic strength from permanent construction to manufacture of consumable commodities during and after the war. In 1910 we averaged about 110 families for each 100 homes and in 1920 about 117 families. This indicates a shortage of nearly 1,500,000 homes even on the 1910 standard. An equally disturbing fact is that the tentative figures from the forthcoming census indicate that the total number of homes owned by the occupiers has steadily decreased, and a total of nearly 60 per cent. of our population are living as tenants, a larger ratio than many other countries. If we are to build up the stability and the happiness of our people, this is just the reverse of what should happen. Nothing is worse than an increased tenantry and landlordism in the country.—Herbert Hoover.

North Dakota Bankers

The North Dakota Bankers Association at its convention, held in Grand Forks, June 29 and 30, elected officers as follows: Wilbur F. Hanks, cashier State Bank of Powers Lake, President; Manvel H. Sprague, cashier First National Bank, Grafton, Vice-President; M. O. Grangaard, of Rogers, and W. C. Macfadden, of Fargo, reelected Treasurer and Secretary respectively. The convention was addressed by John S. Drum, President of the American Bankers Association.

A feature of the convention that attracted much attention was the North Dakota Bankers Association's uniformed band of thirty-five players, all of whom were bank officers or employees.

The convention unanimously indorsed the candidacy of Fred A. Irish, vice-president of the First National Bank of Fargo, for Treasurer of the American Bankers Association.

Progress of a Month in Washington

By EARL HAMILTON SMITH

FROM the viewpoint of bankers four encouraging things occurred in Washington in July. This is not to say, however, that the men in the Capital who understand business and finance are predicting a sudden boom because of those events, which were:

1. The decision of congressional leaders, at a hint from President Harding, to take up long-delayed tax revision legislation;

2. The administration's plan to settle the claims of the railroads of the country against the government, and for the funding of their debts;

3. Decision to expand the powers of the War Finance Corporation, not only to ease the carriers, but to facilitate export business;

4. Postponing action on the adjusted compensation bill until a more propitious time.

The first three items were well received in Washington, but it is felt here that bitter feeling pro and con will result from the side-tracking of the soldier bonus legislation.

A brief expansion of the above points follows:

Tax Revision

Until President Harding finally intervened diplomatically, about the middle of the month, Congress seemed content to go on for months in consideration of the tariff, beer or no-beer controversies, the maternity bill, bonus legislation, the Bergdoll case, and a great deal of miscellany. It is now assured that tax revision will be considered seriously by the Senate while the Fordney tariff bill, which has already passed the House, is kept waiting in Senate Committee. The Senate can do this with good conscience, first, because the country has been clamoring for tax revision, and not a new tariff right away, ever since Congress convened in extra session last April; second, it has passed the Sweet bill providing, at last, for an adequate and simplified Veterans' Bureau, a piece of legislation greatly needed from the very beginning. This bill deserved prompt consideration, and three months of duplicated committee meetings and hours

of talk on the floors of both bodies is considered "prompt consideration" in Washington. It was part and parcel of the entire post-war soldier problem which the government and the people should have planned for and provided for as soon as the armistice was signed. With it out of the way in 1919 or 1920, the government could have proceeded the day the special session opened in April to hew to the line and pass within 30 days, the two most pressing bills—tax and tariff, and materially advanced on the calendar all other financial and commercial relief legislation, to say nothing of at least considering the problem of future foreign trade.

A Stumbling Block

The question whether excess profits should be replaced by a sales

At the Capitol

This article measures the progress Washington has made in its mid-summer effort to master problems on the solution of which better business waits. Four steps are discussed:

The decision of congressional leaders, at a hint from President Harding, to take up long-delayed tax revision legislation.

The administration's plan to settle the claims of the railroads of the country against the government.

The decision to expand the powers of the War Finance Corporation.

Postponement of action on the adjusted compensation bill.

tax will be the great stumbling block to speed in the long discussion expected over tax revision. The opponents of the proposed change continue to claim that a sales tax can not be collected, although it has worked in other countries, and has been an admitted success in the Philippine Islands for over ten years. Other intricate phases of the subject will also be brought up, along with the usual grist of foolish and ruinous suggestions from extremists and visionaries; so that the tax revision bill can hardly become a law and be

signed by the President before October 1, if then.

On the 21st Secretary Mellon informed the House Committee on Ways and Means that it is useless to expect any real reduction in taxes this year, a fact apparent to anybody who looked into the subject at all. The sum of \$4,000,000,000 must be raised, the secretary said. Some members of Congress believe the budget savings of General Dawes will be a factor in reducing taxes, but General Dawes has announced he hopes to save \$112,000,000 on current appropriations, which is only a little more than 2 per cent. of the known government needs. Furthermore, somebody is always bobbing up with new ways of reappropriating the money as fast as someone else saves it. The revenue from the new tariff will be below \$500,000,000 the first year, it is believed.

So far as can be seen in Washington at this writing, late in July, the country will approve the administration's plan to eliminate the present excess profits tax, to be replaced by an increase in the corporation tax from 10 to 15 per cent., reduction of income surtaxes to 40 per cent., and cutting the transport tax in half. The government will probably suggest the repeal of the tax on soft drinks and a few drugs, but it is not unlikely that Congress, and even the public which pays the bills, will regard such things as luxuries that can easily be paid for with each purchase.

As Business Views It

A good example of what business thought of the delay in tax revision is shown in the following letter, which was inserted in the Congressional Record of July 13, by Representative William B. Bankhead of Alabama:

Harriman National Bank,
New York, July 6, 1921.

Hon. F. W. Mondell,
House of Representatives,
Washington, D. C.

Dear Sir: This bank has nearly 10,000 depositors, and fully 50 per cent. of them are clamoring to know why Congress does not do something with regard to the reduction of taxation.

Is the activity of Congress the result of natural ineptitude or a feature of a deliberate reconstruction program?

There can be no improvement in the business world until taxes are reduced. The present stagnation in trade is really a strike against government confiscation.

I include clipping from this morning's *New York Times* which hits the nail on the head. Will you kindly advise me, as the Republican House leader, what your views are and what action may be expected?

If you realized how many people are cursing out Congress, you might then understand what is to be expected at the next congressional election.

Very truly, yours,

J. W. Harriman.

Railroad Financing

The \$500,000,000 railroad financing and funding program outlined to Congress on the 26th by the President is regarded in Washington as being as good as could be expected, in view of the fix the carriers are in.

The sooner all claims are settled and wiped off the books the better, and the idea of using the book credit of the War Finance Corporation, to get the bulk of the money for the railroads, was carefully scanned by the Federal branches of the government before it was openly advocated.

It is felt here that clearing away all war debris by a big plan, executed in a big way, will put the carriers on their feet, and in so doing the country's business will be greatly stimulated. This hope may not be realized in a brief time, since all economics are interrelated and interdependent, but there is no question that a better transportation situation is at least one of the keys to the problem of poverty or prosperity.

The War Finance Corporation

The War Finance Corporation, revived January 4, began almost at once to broaden its working arrangements, so as to meet the existing emergency in the marketing of agricultural products, and some other commodities. This was clearly indicated late in July when Eugene Meyer, Jr., managing director, announced an advance of \$5,000,000 to the Staple Cotton Cooperative Association, of Memphis. This sum is about one half the present value of the cotton involved and the association is given one year

to pay the loan. The association must put up 100,000 bales of long staple cotton as security, from which it may export enough to meet the loan.

This is a great improvement over the corporation's previous system, and will probably be used in the near future to benefit other products. The corporation is now ready to consider applications from cotton interests on any one of these three lines:

Three Lines for Cotton

1. For prompt shipments against deferred payments;

2. For future shipments within a reasonable time against either prompt or deferred payments, after arrival in foreign countries where goods were under definite contract for sale;

3. For prompt shipment to warehouses in foreign distributing points to be held there on account of the American exporters and bankers for marketing out of warehouses.

The corporation is considering loans on exportations of milk, packing products, canned foods, coal and hides.

Since being revived in January the War Finance Corporation has loaned \$32,697,700. During the war it loaned \$353,061,404, but our domestic railroads got \$204,794,520 of that. Only \$46,347,654 were export loans.

The corporation seems capable of infinite expansion, and should become the central feature of our export business until our industries begin a few years hence to develop sound foreign trade policies of their own. Working in conjunction with the Webb Act, it ought to go a long way toward putting us permanently in foreign markets on a scale commensurate with our status as a great industrial power.

Adjusted Compensation

"Poor politics" seems to be the answer to the unsatisfactory muddle in July over the adjusted compensation bill. In principle, the best thought of the country will hold, it is believed, that a precedent should be established, by passing an adequate bonus bill, so that immediately after the close of future wars the government will turn the

soldier back to civil life equipped at the start to care for himself 60 or 90 days while looking for employment and seeking to readjust himself, or to make a small initial payment on a house or in a going business. The bill, of course, would also be of some benefit to 4,000,000 men and women who served in the late war. But, inasmuch as the duty was not discharged by the government in the first flush of victory, as part of a victory loan, it should never have been reported out by the Senate Finance Committee. Congressional leaders had no intention of allowing the bill to pass at this time, in view of the present financial state of the country, but they made noble and empty gestures in that direction, and in such a manner that bankers and business men were put in an undeserved unfavorable light when they were forced to protest. By being courageous, which a politician seldom is, they would have avoided a cruel disappointment to such of the former soldiers who needed the bonus; they would have avoided leaving a bad taste in the mouths of all the veterans, most of whom are not really clamoring for the bonus, but believe in it for those who do need it.

However, the decision to recommit the bill cleared the air. While some opponents advanced startling estimates of the cost to the nation, the very fact that nothing like an exact estimate could be made, even by the advocates of the bill, made the whole measure a cause of great worry on the part of those in and out of the government who must keep their financial feet firmly on the ground. There was no way of knowing how many men would take the cash bonus, spread over thirty months, or paid up insurance, payable in twenty years.

The Agricultural Bloc

The cohesion shown by the agricultural bloc in Congress in July alarmed all conservatives, who predict the early disintegration of the group. In reality, it does not differ in purpose from the industrial segment from the eastern part of the country which has flourished in Congress for a generation. It will be controlled by the two Houses as a whole just as the latter has been.

To be sure, the proposal of a new Federal corporation to advance \$1,000,000,000 to farmers has not made a hit, and will not be successful.

Paternalistic legislation continues to press in upon Congress, to the obvious detriment of democracy in the separate states, and this tendency roused Senator King, of Utah, on July 21, to this pitch:

"Mr. President, the woeful conditions depicted by and the eloquent appeals of the Senator from Alabama, not only today but upon other occasions, have made such an impression upon my mind that I have come to believe that the Federal government is so much better able to take care of the people than they are to take care of themselves that I suggest to the Senator that we transfer all we have, our possessions, our natural, political and civil rights, as well as our lives, to the Federal government and allow it through its bureaus and bureaucrats and Federal functionaries and Federal officials and Federal commissions and Federal agencies and instrumentalities to take us into its all-embracing arms and direct our

lives, control our thoughts, and guide our faltering and feeble steps." This would seem to be the proper function of government according to the Senator from Alabama, and his various addresses would indicate that the people are incapable of working out their own salvation.

Aid for the Railroads

President Harding's message of the 26th in behalf of the railroads made a favorable impression, except for the so-called "agricultural bloc" in Congress. Even that element was somewhat appeased by the President's suggestion that the extension of the War Finance Corporation's powers be great enough to afford relief in the forms of loans for agricultural exportations on a large scale. It is not unlikely that this expedient will have the effect of shelving Senator Norris's \$100,000,000 separate corporation, which would have authority to loan \$1,000,000,000 on farm products.

Stripped of technicalities, the proposal means that the Federal

government would without delay pay the railroads the sum it owes them, which is between \$300,000,000 and \$500,000,000, but giving the railroads ten years in which to pay the government the \$763,000,000 they collectively owe the Railroad Administration for additions and betterments made during Federal control.

As soon as its powers are extended, the War Finance Corporation will give the Railroad Administration cash in exchange for the promises of the lines to pay what they owe in ten years. This cash will then be transmitted to the roads as fast as their claims are adjusted. It is believed the Railroad Administration will manage to pay off \$300,000,000 within three months.

This ready cash, together with the general easing up of the traffic situation as a result, is expected to react favorably this fall on business as a whole.

Aside from cries of "subsidies for the railroads" in some quarters, the entire transaction amounts simply to a loan of not to exceed \$450,000,000 to the lines for ten years.

Mortuary Record of Association Members

REPORTED FROM JUNE 26, 1921, TO JULY 25, 1921

Ames, Frederick Lathrop, president North Easton Savings Bank, North Easton, Mass.

Bate, John T., assistant cashier Louisville National Bank, Louisville, Ky.

Beaman, Nathaniel, president National Bank of Commerce, Norfolk, Va.

Benton, O. L., president Oberlin National Bank, Oberlin, Kan.

Brown, Chas. D., president The Emans National Bank of Emans, Pa.

Brown, Sam H., president Farmers and Merchants Bank, Fayette, Mo.

Coughlin, Joseph D., assistant cashier First National Bank, Crosby, Minn.

Dibble, Henry Montgomery, president Bank of Western Carolina, Aiken, S. C.

Finch, Daniel J., vice-president National Bank of Glens Falls, N. Y.

Gaines, Dan W., vice-president State Bank of Omaha, Neb.

Galland, Samuel, vice-president Spokane and Eastern Trust Co., Spokane, Wash.

Holleman, Lee, president Peoples Bank, Anderson, S. C., and secretary-treasurer South Carolina Bankers Association.

Kingsley, F. R., president Minden Exchange National Bank, Minden, Neb.

McKinney, A. S., president First National Bank, El Paso, Ill.

Marsh, Miss Mary E., cashier The Melbourne State Bank, Melbourne, Fla.

Mallot, Volney T., chairman Board of Directors Indiana National Bank, Indianapolis, Ind.

Pendleton, Garnett, president Cambridge Trust Co., Chester, Pa.

Salter, Thaddeus M., vice-president Central State National Bank, Memphis, Tenn.

Seaman, J. S., president Pennsylvania National Bank, Pittsburgh, Pa.

Sidle, Henry K., cashier First National Bank, Minneapolis, Minn.

Spence, Dave, president Barnes State Bank, Barnes, Kan.

Strait, W. V., cashier Fremont County Savings Bank, Sidney, Iowa.

Swanson, O. N., president Bank of Pilot Mountain, N. C.

Tuttle, Albert, president Montpelier National Bank, Montpelier, Vt.

Van Doren, Joseph H., vice-president First National Bank, Morristown, N. J.

Wing, Lucius W., president Coldwater National Bank, Coldwater, Mich.

Wood, Frank A., chairman of board, Central Bank, St. Petersburg, Fla.

Yerxa, Woodford, president Guaranty Trust Co., Cambridge, Mass.

Service Gives New Prosperity

Bankers of Chattanooga Creating New Business and
Building a Better Community by Helping the Individual

By F. A. NELSON

Manager Chattanooga Clearing House

IT seems pardonable to "point with pride" to the growth of one's city, the increase of its wealth, the number of its factories and the like, but in these days of unrest, when so many of the principles heretofore counted fundamental are being called into question, should we not be led to give more careful heed to the real soundness of this growth and the ultimate safety of these investments?

In counting our population would it not be well to consider also the temper of our people? Instead of boasting as to the community's wealth should we not be concerned as to how it is divided? Is not the real character of a city or county determined as much by the character of its humbler cottages as by that of its handsome residences? Is not the health of the community as much affected as our physical bodies by diseased or torpid organs? And may not very serious results in civic and financial affairs as well as in our physical natures result from commonplace beginnings?

For instance, is it not a matter of real importance to a community whether the women know how to cook and make their homes attractive? If a man cannot enjoy his home is it not probable that his citizenship is on the downward grade? Can a safe community be constituted out of a discontented people?

It was with these questions in mind that the banks of Chattanooga became interested eight years ago in bringing about better conditions on the farms and in the homes of the poorer people in the city.

Little effort had been made up to that time to give any instruction in cooking, canning and home making. The bread in most of the poorer homes was heavy, the vegetables poorly cooked, the meals were not balanced and there was little variety. Many women gave little attention to their own dress or to the attractiveness of their houses;

there was little order and less comfort.

On the farms men furnished their wives with few conveniences or labor-saving devices. The farms were run down, the stock was scrubby and the crops were poor. Life was entirely too much of dull drudgery and the people were ripe for anything that promised escape from existing conditions. The boys and girls were leaving the farms as fast as they grew up and the city was suffering for the want of farm products.

Produce More Wealth

Eight years ago the bankers of Chattanooga became interested in a movement to improve conditions on the farms and in the homes of the poorer classes in the city. The results, which are outlined in the accompanying article have been far reaching. The farms have become more productive, the home life has improved. Ambition has displaced discouragement, and boys and girls have become interested producers. The last step in the evolution of the farming household has been the employment of a woman to teach housewives in both town and country how to conduct a budget system for home finances.

All of these conditions were brought to the attention of the banks by two women who had been going into these homes throughout the county and who appealed to the banks for assistance. One of these women had only shortly before been employed by the county as home demonstration agent, but she was sadly in need of cooperation. The banks immediately promised assistance and gave to this demonstrator and to the county agent—who was a man—an automobile apiece, thus largely increasing their efficiency. These machines, by the way, have since been worn out and replaced several times.

The work of the two agents was supplemented during the year with such assistance as was needed. The

following fall the banks secured the use of a large hall, invited all producers to exhibit and offered premiums for the best results of the year's work. This exhibition was so satisfactory that it was thought worth while to make it an annual event. A Fair Association, which has since been self-supporting, was organized, and now after seven years' growth has become one of the recognized Southern fairs. Last year its gross receipts were approximately \$75,000. But the feature of greatest moment has been the remarkable improvement in the character of exhibits, evidencing the effectiveness of the work which has been carried on throughout this and the other counties of the Chattanooga district.

The farmers have learned the benefit of well-selected seed, rotation of crops and the use of lime and legumes as soil builders. They seemed a little slow in grasping the necessity of using lime, but the banks arranged to furnish a number of carloads in scattered localities and the benefits were self-evident.

The general result of all this work has been an entirely different type of grain, fruit and vegetables and also of stock and poultry. The scrub cattle, hogs and chickens are fast disappearing from the farms and fine blooded animals are seen in any direction that one may ride.

The boys have their corn, pig and calf clubs and their fathers are learning as much from these youngsters as they learn direct from the agent.

The women and girls are ahead, if anything, of the men and boys. Their improvement in cooking and sewing has been remarkable; their canned vegetables and fruits and their preserves and pickles as exhibited from every community show that the old winters of cornbread and bacon diet on the farm are passed and gone. The demon-

strator is a woman of great tact and unbounded energy and enthusiasm. This home economics and industrial work has been carried into the schools, both rural and city, and is receiving constant encouragement.

It became apparent, however, that while the schools were giving much valuable instruction they were *not* sufficiently impressing upon the children their responsibilities as citizens and the attitude which they should assume towards public affairs. So the banks arranged with the school authorities to introduce a book into the school course called "Our Country," which presented in a simple and yet attractive way the general principles of government and the part each should take in it. The banks assumed a part of the cost of introduction of this course. The banks also offered medals for the best examination papers turned in by any children on this subject, which resulted in lively competition.

The next step, and one which

had just been taken, was to employ a capable woman to teach the women of both the city and county to adopt a budget system in the handling of their home finances. This at once received a most hearty welcome from the various women's clubs and it is believed will result in a great economy and in the elimination of much waste. Through this means, it is hoped, much of the money now in stockings and tin cans will come into the banks for deposit, and that the habit of using checking accounts will be increased. Thus the banks will be enabled to get into closer touch with those having small sums for investment and incidentally prevent the wasting of money in wild-cat schemes and foolish undertakings.

Along such simple lines as these we believe that the happiness and comfort of the community as a whole can be built and that our prosperity may be more soundly established.

Confidential Booklet

The confidential booklet issued by the Protective Committee is bound in paper cover and measures 3½ by 6½ inches. The rules of the committee as well as interesting and important information relating to the operations of criminals are embodied therein. A copy of this booklet is in the hands of every member, but if it has been misplaced, another may be obtained upon request.

List of Members

A list of members in pamphlet form complete to December 31, 1920, was also forwarded to each member and it is of special value in connection with the use of the confidential telegraphic cipher code. Members are requested to keep it conveniently at hand for ready reference. The names of new members will be found each month in the JOURNAL.

Membership Dues—Payable Sept. 1st

THE Constitution of the American Bankers Association provides that membership dues are payable in advance as of September 1. The members will receive direct from the office of the Association at New York a Certificate of Membership, including subscription to the JOURNAL, for the fiscal year ending September 1, 1922, signed by the executive manager, G. E. Bowerman, and countersigned by Harry M. Rubey, treasurer. The certificate indicates that a remittance should be made to The American Exchange National Bank, New York, N. Y.

An insert showing dues paid to September 1, 1922, will accompany the Certificate of Membership and this insert should be placed in the metal sign held by members and displayed in a conspicuous place over the paying teller's window, which will serve as a warning to criminals.

There are over 23,500 members, comprising national and state banks, trust companies and private bankers, which is the largest membership in the history of the Association. To avoid unnecessary

correspondence and delay, members are respectfully urged to honor the certificates promptly when received.

The schedule of dues which now

prevails as adopted by the Executive Council at its meeting held at Pinehurst, North Carolina, May 4-6, 1921 is as follows:

BANKS AND TRUST COMPANIES (BASED ON CAPITAL AND SURPLUS) AS FOLLOWS:

	less than	\$25,000.....
\$25,000 and less than	100,000.....	20.00
100,000 and less than	250,000.....	35.00
250,000 and less than	500,000.....	50.00
500,000 and less than	750,000.....	75.00
750,000 and less than	1,000,000.....	100.00
1,000,000 and less than	2,500,000.....	150.00
2,500,000 and less than	5,000,000.....	200.00
5,000,000 and less than	10,000,000.....	250.00
10,000,000 and less than	15,000,000.....	300.00
15,000,000 and less than	20,000,000.....	350.00
20,000,000 and less than	25,000,000.....	400.00
25,000,000 and less than	30,000,000.....	450.00
30,000,000 and less than	35,000,000.....	500.00
35,000,000 and less than	40,000,000.....	550.00
40,000,000 and less than	45,000,000.....	600.00
45,000,000 and less than	50,000,000.....	650.00
50,000,000 and less than	55,000,000.....	700.00
55,000,000 and less than	60,000,000.....	750.00

Private Bankers and Banking Firms:

Dues are based on capital employed in their business per schedule above.

Dues for Branches of any of the Above Classes of Membership:

With separate capital, same as schedule: Without separate capital, specifically set aside therefor.....\$15.00

Dues for mutual and cooperative savings banks or institutions without capital are based on their surplus or reserve fund, as per table above.

PLEASE REMIT IN NEW YORK FUNDS DIRECT TO THE AMERICAN EXCHANGE NATIONAL BANK, NEW YORK, MAKING YOUR CHECK PAYABLE TO THAT INSTITUTION.

Plans for Broader Work

Nineteenth Annual Convention of the American Institute of Banking Was an Extraordinarily Inspiring Gathering Featured by a Presentation to George E. Allen, Educational Director, and the Immediate Adoption of Mr. Allen's Suggestion for Strengthening the Work of the Institute. Will cooperate with American Bankers Association in Instructing School Children in the Principles of Banking

THE outstanding feature of the nineteenth annual convention of the American Institute of Banking, held in the Shubert Theater, Minneapolis, Minn., July 19, 20, 21 and 22, was the presentation to George E. Allen, educational director, of \$20,000, a gift of appreciation from the 45,000 members of the Institute. The ceremony of presentation was impressive in the extreme and deeply moved the great audience whose privilege it was to participate in this act in recognition of long years of successful effort in the upbuilding of the Institute. Of far-reaching importance was the suggestion made by Mr. Allen for a broader and more comprehensive educational plan, and steps were promptly taken to bring about the adoption of Mr. Allen's plan for the improvement and enlargement of the Institute. Other features of the convention consisted of half-hour talks on leading industries, and the promulgation of plans for an extensive educational plan among the school children of the country. This educational program will be conducted by the Committee on Public Education of the American Bankers Association with the cooperation of the Institute. The convention was in every sense inspiring. All of the delegates were charmed with Minneapolis, its scenic beauties and the warmth and sincerity of its people's hospitality.

Stewart D. Beckley, president of the Institute, called the convention to order. The program of the first session was as follows:

INVOCATION—Rev. Marion D. Shutter, pastor of the Church of the Redeemer.

GREETINGS—Joseph E. Ware, president of the St. Anthony Falls Bank, on behalf of the city of Minneapolis, extended an official welcome to the delegates.

RESPONSE TO GREETINGS—Robert B. Locke, vice-president of the Institute, responded to the greetings extended.



GEORGE E. ALLEN

A feature of the convention was the presentation to Mr. Allen of a testimonial from 45,000 members in recognition of twenty years of successful effort in behalf of the A. I. B.

GREETINGS FROM AMERICAN BANKERS ASSOCIATION—The following inspiring message from John S. Drum, President of the American Bankers Association, read by President Beckley, was enthusiastically received by the delegates:

Please convey to the American Institute of Banking sincere congratulations

of the American Bankers Association upon the twentieth anniversary of the founding of the Institute. The proof of the usefulness and success of the Institute is founded in its growth from a small beginning twenty years ago to its present membership of more than 44,000 men and women, representing virtually all the banks of our country. The Institute has accomplished much in building able bankers, alive not only to the duties of their profession, but also to their broader responsibilities as leaders of the economic life of the United States. And there can be no doubt that in the next twenty years the Institute can accomplish even greater things. Never have there been wider opportunities for achievement than those that are presented to us now and will be during the next few years, and I hope that the Institute and the American Bankers Association, working hand in hand in close cooperation, will take full advantage of them and direct their efforts always to the progress of banking and our country's prosperity.

MESSAGE FROM PRESIDENT HARDING—At this point President Beckley read the following letter of greetings and good wishes from Warren G. Harding, President of the United States, which was received with tumultuous applause on the part of the delegates:

I will be glad if you will extend my greetings to the annual convention of the American Institute of Banking at its Minneapolis meeting. I would have been glad to accept the invitation extended to me to attend, but it was impossible. The Institute has done an important educational work, looking to broadening the conception of their profession among American bankers, and is entitled to sincerest encouragement. The financial and economic problems of these times call for the consideration of skilled, trained, understanding men with vision enough to survey the whole business world. I believe the Institute is effectively helping to produce this kind of bankers, and therefore I wish it prosperity and increasing opportunities for usefulness.

Telegrams of Regret

The following telegrams were received from Institute veterans and other well-wishers:

Fred I. Kent—Am greatly disappointed not to be able to attend the Institute convention as I had planned to do. Shall be with you in spirit, however, and expect the convention to be the great success which the combination of Minneapolis and the Institute is certain to bring. Sincere regards to all.

Rudolph S. Hecht—Have just returned from a two months' trip to Europe and sincerely regret my inability to be with you at the convention. I had the pleasure of attending the Minneapolis meeting in 1905 and have missed very few since, but circumstances made it impossible this time. Please extend my cordial greetings to the convention and accept my heartiest good wishes for a successful meeting. Never have we been more in need of forward-looking young men who understand both the science and practice of banking, and it is from the Institute ranks that these leaders are sure to come. Best regards.

Fred A. Crandall—Greatly regret my inability to be present at this, the greatest of all Institute conventions. Am with you in spirit if not in person.

Fred W. Ellsworth—Keenly regret my inability to be present at this year's convention. I know that under your direction the Minneapolis meeting will be a tremendous success. Please convey to the delegates my cordial greetings and best wishes and tell them that while they are enjoying the convention sessions I shall do my best to drown my sorrow by negotiating eighteen holes midst the cool Gulf breezes at the country club.

Adolph F. Johnson—Congratulations on close of successful year and best wishes for a most enthusiastic convention. Regards to all.

George E. Maine—Very sorry that I cannot be with you. Bradley of Spokane will make my announcement. Extend greetings to the convention for me and explain my absence. Bring everybody to the Coast with you next year, for you know it is Portland in 1922.

John T. Hanefy—Sorry I cannot be with you. Compelled to cancel reservations at the last minute. Please convey my regrets to the chairman of the Be On Time Committee. Congratulations upon the successful year through which you so ably led us. Best wishes for a greater Institute and the achievement of all its lofty ideals. Kindest thoughts and regards to all in attendance.

Will H. Hays—It has been with real regret that I have been unable to accept your invitation to be with you at the annual convention of the American Institute of Banking. It would have been a real pleasure. The Institute is doing splendid work of the most far-reaching possibilities for good. Our appreciation of all of this is measured by our confidence in your great future usefulness. Very best wishes to all.

W. P. Andrews—Please accept the compliments of the Texas Bankers Association and the hope that this will be a record convention. We send our best

wishes to all the delegates, and especially to the broncho busters from Texas who are with you.

Paul P. Brown—Please express to the boys my regrets at missing this great convention. Rush of work prevented my leaving. Asheville Chapter is behind the Institute with all its energy. We know that Duncan will bring us many good things. Kindest regards to yourself, Uncle George and other officials.

AMENDMENTS TO INSTITUTE BY-LAWS—At this point Richard W. Hill, secretary of the Institute, presented the report of the Executive Council regarding the proposed amendments to the by-laws of the Institute. The convention accordingly adopted the proposed amendments. Sections 3, 6 and 7 of the Institute by-laws, as amended, read as follows:

"Section 3. Members of the Institute shall consist of duly authorized chapters whose individual members shall subscribe for the official publication of the Institute through their respective chapter treasurers at the rate of seventy-five cents a year. Bank officers and other employees outside of the respective jurisdiction of city and state chapters shall be eligible to membership in the Correspondence Chapter."

"Section 6. A president and a vice-president of the Institute shall be elected annually by the Institute in convention from chapter members, and no incumbent of any such offices shall be eligible to consecutive reelection to the same office. Officers of the Institute thus elected must possess the Institute standard certificate and they shall serve for respective terms of one year or until their successors are elected and qualified."

"Section 7. The government of the Institute shall be vested in an Executive Council of fifteen members, consisting of (1) ex-president, the president and the vice-president of the Institute *ex-officio*; (2) twelve members of the Executive Council elected by the Institute in convention, so arranged that four may be elected annually for three years. Members of the Executive Council must possess the Institute standard certificate and they shall be ineligible to consecutive reelection."

REPORT OF THE SECRETARY—Richard W. Hill, secretary of the Institute, read his annual report, which showed that since the last Institute convention at Boston, when the membership of the Institute was reported as 32,303, there has been an increase of 12,600 members, making a total membership at the present time of 44,903. New chapters organized at Beloit, Wis.; Eau Claire, Wis.; Erie, Pa.; Helena, Ark.; Ithaca, N. Y.; Janesville, Wis.; Knoxville, Tenn.; Min-

nesota State, Manila, P. I.; New Britain, Conn.; Orange Belt, California; Stamford, Conn.; Tulsa, Okla., and Waterloo, Iowa, bring the total number of Institute chapters up to ninety-one. Since the Boston convention there have been 335 standard certificates issued, the total number of graduates of the standard courses now being 3,755. In addition, 1,119 elementary certificates have been issued since the Boston convention, the total number of elementary certificate holders now being 2,589.

"THE INSTITUTE SPIRIT"—Annual address by the president of the Institute, Stewart D. Beckley, cashier of the City National Bank of Dallas, Texas.

"PHILOSOPHY OF LIFE"—Address by James Schermerhorn, editor of the *Detroit Times*.

"INDUSTRIAL CONDITIONS"—Address by E. W. Decker, president of the Northwestern National Bank of Minneapolis.

Mr. Bowerman's Address

"CONSTRUCTIVE LEADERSHIP"—Address by Guy E. Bowerman, Executive Manager of the American Bankers Association. Mr. Bowerman said:

The American Institute of Banking is something in the nature of a human range-finder by which, or through which, you may determine the location of your objective and, if used properly and with understanding, you are going to hit just exactly what you are aiming at. Now, one doesn't need a range-finder for an objective which is close at hand, and if you are going through life satisfied to shoot at nothing except that which is within the range of your ordinary vision you are not going to need and you are not going to feel the influence of the work which this organization is doing; but if you have vision, if you are looking to the future, if you are conscious of the bigger things in life, as I am confident that you are, there is no other agency that will help you more in gaining the goal of your ambition, toward which it is my earnest hope that the members of the American Institute of Banking march in solid phalanx.

I enjoy referring occasionally to your declaration of purpose, which is the education of bankers in banking, and raising the standard of character and efficiency of bank employees. This is not only full of meaning for the present, but is rich in promise for the future of banking in America because not only do the bankers of the country need educating

in their chosen profession, but the bank employees of today are those upon whom the responsibility for tomorrow must fall. It is, indeed, a most worthy program which you have outlined and it should enlist the sympathetic interest and the active support and cooperation of all of those whose services you are striving to better.

One of the present-day needs of our profession is more real bankers, men well grounded in the theory and practice of banking as well as in its ethics. The troubles, the problems of the day, the problems which confront us now, require men of broad vision and understanding and the ability to do constructive work. It seems to me that there never was a time in the financial history of the country when the demand for intelligent and constructive leadership was so great as it is now, and it also seems to me that there never was a time when the opportunities were so great for the young men who will equip themselves, and what the future may have in store for you, to some extent, is largely in your own hands. I say this because I believe that the bank officials of today are chosen not because they have distinguished themselves in some other field of human endeavor. They are being chosen for their fitness, for their practical knowledge of banking and their ability to apply it successfully and, if this is true, it seems to me that the pathway of advancement leads through an open door for those who will qualify themselves to assume the greater responsibilities which advanced positions bring.

I think the thing which gives us all the greatest satisfaction about the Institute is that spirit of unadulterated Americanism which is so characteristic of this body. In troubled times like the present we need clear-thinking, unprejudiced reasoning and the moral backbone with which this group is supplied. We need greater faith in American traditions, American institutions and American ideals. We need a clearer understanding of the principles of Americanism and just what constitutes American citizenship. What we need, and what America needs, is a league of Americans just such as you are building here.

It is my pleasure, Mr. President, to be here as an official of the American Bankers Association, and I bring the gifts of good wishes, friendly interest and expressions of appreciation for the splendid work which you have done in the past and the most profound confidence in what you may accomplish in the future.

It is my hope that I may play some part in this great work which you are doing. My desire is to be of some practical, tangible assistance to you. I would like to become better acquainted with you personally, but whether or not I may be so privileged I would like you to know this, that so far as headquarters in New York is concerned, if you pass that way you have my assurance that you will find the latch string out.

CAMPAIGN SPEECHES—A rather interesting innovation took place at

the first session of the convention. Heretofore the only announcement made to the convention of the various candidates for national office took place at the last session when these candidates were formally placed in nomination. It has been felt for some time that it would be advantageous, both to the delegates and to the candidates, if these candidacies were announced early in the convention so that the delegates would be made familiar with the qualifications of all the aspirants for national office. Accordingly, each of the various candidates, prior to the convention, was requested to select a representative to announce his candidacy to the delegates at the first session. These representatives, in well-rounded speeches, acquainted the delegates with the qualifications and achievements of the candidates they represented, much to the delight of the convention and to the satisfaction of all. The plan seemed to be popular and the results sought to be accomplished were fully realized.

COMMITTEE ON CREDENTIALS—The president appointed as the Committee on Credentials: L. E. Williams, chairman, First National Bank, Portland, Ore.; William F. Duncan, Citizens Bank, Asheville, N. C.; W. W. England, Center Wheeling Savings Bank, Wheeling, W. Va.

COMMITTEE ON RESOLUTIONS—The president appointed as the Committee on Resolutions: Norman T. Hayes, chairman, Philadelphia National Bank, Philadelphia, Pa.; Byron W. Moser, First National Bank, St. Louis, Mo.; Bruce Baird, Hibernia Bank and Trust Company, New Orleans, La.; Albert S. Puelicher, Marshall and Ilsley Bank, Milwaukee, Wis.; Miss Helen D. Crowley, Hartford-Connecticut Trust Company, Hartford, Conn.

Second Session

INVOCATION—Rev. Thomas E. Cullen, pastor of the Pro-Cathedral of St. Mary.

The first item on the program was the debate between New York Chapter and Omaha Chapter. The question at issue was: "Resolved, that the plan of Irving Fisher for stabilizing the dollar should be adopted by the Federal Govern-

ment." Charles B. Mills, president of the Midland National Bank of Minneapolis, presided. The debaters were: W. G. F. Price of the National City Bank of New York, N. M. McKernan of the Irving National Bank of New York, W. L. J. Conway of the Guaranty Trust Company of New York, for New York Chapter, and William Phillips of the Federal Reserve Bank of Omaha, John W. Zoeller of the Omaha National Bank of Omaha, Philip W. McBride of the First National Bank of Omaha, for Omaha Chapter. The judges were George W. M. Dowrie, dean of the School of Business of the University of Minnesota; Judge W. A. Lancaster of the firm of Lancaster, Simpson & Purdy of Minneapolis; Peter W. Goebel, president of the Commercial National Bank of Kansas City. The decision was for Omaha Chapter.

PRESIDENTS' CONFERENCE—The conference of chapter presidents was conducted under the direction of the chairman of the National Committee on Chapter Presidents Conference, Jesse F. Wood, vice-president of the National State and City Bank of Richmond. The conference met at breakfast at 8 A. M. and continued in session until 2.30 P. M. The following topics were presented and discussed: "Education," by Byron W. Moser of the First National Bank, St. Louis, Mo.; "Finances," by William Feick of the Irving National Bank, New York City; "Public Affairs," by E. V. Krick of the Mercantile Trust Company, San Francisco, Calif.; "Cooperation of Bank Officials and Holding Attention of the Institute Graduates," by Gardner B. Perry of the American Trading Company, New York City; "How to Keep Up Interest in Chapter Meetings," by J. King Bryon of the Ladd & Tilton Bank, Portland, Ore.; "Membership Campaigns," by Bert V. Chappel of the Federal Reserve Bank, Cleveland, Ohio. There was discussion by the various chapter presidents at the conclusion of each topic and much information was secured of great value to those present.

"LIVE STOCK AND PACKING"—Address by C. B. Heineman, secretary of the Institute of American Meat Packers.

DEPARTMENTAL CONFERENCES—Noon departmental conferences were held on Wednesday, Thursday and Friday at the West Hotel under the direction of J. W. Bradley, vice-president of the Old National Bank of Spokane, who was chairman of the National Departmental Conference Committee. There were eight separate conferences each day, as follows: Advertising and Publicity, led by Frank Merrill of the Northwestern National Bank, Minneapolis; Auditing and Accounting, led by Godfrey F. Berger, New York State Bank Examiner, New York; Bonds and Investments, led by H. E. Reed, Pittsburgh representative of the Guaranty Trust Company of New York; Business Development, led by Byron W. Moser of the First National Bank of St. Louis; Collections and Transits, led by P. B. Detwiler of the Philadelphia National Bank of Philadelphia; Credits, led by Clay Herrick of the Guardian Savings & Trust Company of Cleveland; Foreign Exchange and Foreign Trade, led by Bruce Baird of the Hibernia Bank and Trust Company, New Orleans; Mutual Savings Banks, led by George W. Wright of the Bowery Savings Bank, New York City. Those in charge of each of these subjects arranged to have specialists on the various topics lead in the discussion. In the opinion of those who had the most to do with these departmental conferences, the inclusion of such conferences in the annual convention program is settled for all time.

Third Session

"MERCHANDISE RETAILING"—Address by George D. Dayton, president of the Dayton Co. of Minneapolis.

"SERVING OUR FELLOW-MAN"—Address by John H. Puelicher, president of the Marshall & Ilsley Bank of Milwaukee and Second Vice-President of the American Bankers Association.

"AUTOMOBILES"—Address by Arthur T. Waterfall, vice-president and general manager of Dodge Brothers of Detroit, Mich.

Testimonial to "Uncle George"

It was fitting that in Minneapolis, the cradle of the Institute, we

should celebrate the twentieth anniversary of the founding of our organization, and to the great pleasure of the delegates, and quite appropriately, too, Joseph Chapman, father of the Institute and incidentally vice-president of the L. H. Donaldson Company of Minneapolis, was called to the platform by John H. Puelicher, in whose hands President Beckley had placed this feature of the program. Mr. Puelicher then called for Clay Herrick of Cleveland, George H. Richards of Minneapolis, and when they had ascended the platform the announcement was made that Messrs. Puelicher, Herrick and Richards were delegates to the first convention of the Institute, held in Cleveland in 1903. In turn the following also took the platform: Byron W. Moser, Robert H. Bean, J. C. Thomson, Gardner B. Perry, Stewart D. Beckley, all of whom are past presidents of the Institute, and Robert B. Locke, whose election as president of the Institute Mr. Puelicher correctly predicted; Peter W. Goebel, former president of the American Bankers Association; Guy E. Bowerman, Executive Manager of the American Bankers Association; James H. Daggett of Milwaukee, J. W. Bradley of Spokane, Thomas H. West of Portland and George A. Jackson of Chicago, all of whom are past vice-presidents of the Institute; and last but not least, the presidents of all the chapters of the Institute represented at the convention. Mr. Puelicher selected Joseph Chapman as a committee of one to escort Mr. Allen to the platform. With this imposing array of Institute pioneers and veterans, generals, privates and allies, Mr. Puelicher proceeded to address the delegates and "Uncle George" Allen as follows:

"When Napoleon was at the height of his power, when he was Emperor of France and king of a dozen countries, he loved best to be called by the endearing term of 'The Little Corporal.' Abraham Lincoln, the best beloved American, is dearest to us when we think of him as 'Old Abe.' And because we love George Allen we call him 'Uncle George.' Uncle George, this is the twentieth anniversary of the American Institute of Banking. It was born in this city. It has

grown from a mere child into a strong, powerful institution, with ideals second to none. I prophesy, sir, that some day the troubles between capital and labor will be solved by following the ideals which we, as members of the banking profession, have set before the world, where employer and employee work together, grow together and develop America together.

"You came into the organization twenty years ago. Our anniversary is also your anniversary. It was just a weak, tottering child that put its hand in yours. Your experience, your knowledge of men and of affairs have guided it into a strong, wonderful, powerful manhood.

"Uncle George, we want you to know of our love and esteem and respect. There is no intrinsic thing which we could give you which would fully express it, but we are endeavoring to express it as best we may, by handing to you herewith a tribute which comes from 45,000 of those to whom you are dear. I am handing you this tribute. It reads to the 'Trustees of the George E. Allen Testimonial Fund' and it is written in the amount of \$20,000.

"Take it, may you continue to enjoy good health and long life and may your usefulness in the banking profession never grow one mite less, as will never our love for you, Uncle George."

Mr. Allen's Response

At this juncture the entire convention rose to its feet, manifesting its enthusiastic endorsement of Mr. Puelicher's tribute to "Uncle George." As usual, even though the experience was new to him, our educational director exhibited his close acquaintance with Uncle Sam's English in the following characteristic response:

"Mr. Chairman and my beloved nieces and nephews: You know that I always preach and sometimes practice the doctrine of 'duty first.' On this occasion I have three distinct duties to perform and I shall not shirk them.

"My first duty is to give some practical and friendly advice to John Puelicher. My advice to you, John, is never to try to break into the Ananias Club, for every last one of the members would blackball

you out of sheer jealousy. Notwithstanding, ladies and gentlemen, if you want to believe all or any part, or even pretend to believe the words that Mr. Puelicher has spoken about me, go ahead and do it. I shall be more than happy to have you do so.

"My second duty is to say a word about the Institute and my personal relationship to it. In the old pioneer days it was good administration to have a man of varied character, who combined the qualities of pedagogue and politician. I was favored with that appointment. I have done the work as well as I could, but the Institute has outlived its pioneer days. It has become a great institution, and there must soon be some sort of reorganization.

"I confess I was not born yesterday. I have kept this secret fairly well from the men of the Institute, the future Alexander Hamiltons and Andrew Mellons, but I have not kept it from the future Queen Victorias and Hetty Greens. They have known this, and publicly I want the men to know what the women have always known.

"I think in the future the Institute should have some person who is primarily a general manager, a man of Andrew Carnegie qualifications, to work under the elective officers and Executive Council of the organization. Subordinate to him there should be a real educational director, a man of attainments and experience, who can do that work as well as it is done in any college or university in the world. Your manager should know enough about education to distinguish between what is wanted and what is not. I have full confidence that your Executive Council will do the best thing, but I believe when they do it the members of the Institute should know why this thing is done.

"My third duty is to express appreciation of your magnificent tribute. I am not so constituted that I can express appreciation of such a tribute. I know I cannot do it and I shall not try. An authority that we cannot dispute has said that 'It is more blessed to give than to receive,' but if you feel more blessed than I do at this time you must feel as if you are dancing on

the golden streets of Paradise to the music of the spheres.

"I am not such an egotist as to imagine that your tribute is a tribute to my personality. It is rather a tribute to what myself and others have represented during the past twenty years—conscientious and systematic study of banking and its relationship to the welfare of the world, conscientious and systematic study of human nature, men and women made in the image of God, that can only be governed permanently and successfully by the practice of the Golden Rule, and last but not least, everlasting faith in the future, that the world is growing better, not worse, as the years go by, and that it is a God-given privilege to march in the procession of progress, ever onward, ever upward, toward greater and better things."

It was evident from the long and loud applause that followed the remarks of "Uncle George" that his sentiments met with the wholehearted approval of the delegates. A motion was made and carried by the convention empowering the president and vice-president of the Institute to appoint a committee to be composed of three active members of the Institute, three members of the Alumni Association who have remained interested in the Institute, these six to select three educators, and requiring the whole committee of nine to report back to the Executive Council their recommendation regarding an educational director. The time when such educational director shall take office was left in abeyance.

Fourth Session

Vice-President Robert B. Locke presided at the fourth session of the convention on Thursday morning.

INVOCATION—Rev. H. B. Strock, associate pastor of the Westminster Presbyterian Church.

A symposium on foreign trade, directed by Dr. Walter Lichtenstein, executive secretary of the First National Bank of Chicago, was the first item of business on the program.

FOREIGN TRADE—Dr. Lichtenstein's address was a most instructive dissertation on foreign trade. At the close of his talk a short but interesting discussion took place.

"SOME ASPECTS OF THE TRANSPORTATION QUESTION"—Address by Charles Donnelly, president of the Northern Pacific Railway Company.

Fifth Session

INVOCATION—Rev. Gustaf K. Stark, pastor of the Emanuel Swedish Lutheran Church.

"KNOWLEDGE VERSUS WISDOM"—Address by D. C. Wills, chairman of the board of the Federal Reserve Bank of Cleveland.

"MERCHANDISE JOBBING"—Address by Wallace D. Simmons, president of the Associated Simmons Hardware Companies of St. Louis.

COMMITTEE REPORTS—The following national committee chairmen presented reports of the year's work: John H. Brennen of the Atlantic National Bank of New York, chairman of the National Forum Committee; Bert V. Chappel of the Federal Reserve Bank of Cleveland, Ohio, chairman of the Membership Committee; E. V. Krick of the Savings Union Branch of the Mercantile Trust Company of San Francisco, Calif., chairman of the Public Affairs Committee; George S. F. Bartlett of the Boston Five Cents Savings Bank of Boston, Mass., chairman of the Publicity Committee; W. W. Allen, Jr., of the Philadelphia National Bank of Philadelphia, Pa., chairman of the Public Speaking and Debate Committee.

Sixth Session

"OPPORTUNITY FOR SERVICE"—Address by Joseph Chapman, vice-president of the L. S. Donaldson Company of Minneapolis.

INSTITUTE RESOLUTIONS—The Committee on Resolutions submitted the following report, which was enthusiastically adopted by the convention:

Twenty years ago the American Institute of Banking was born. The first chapter was started in this city, which this year, by its splendid hospitality, has made our convention so successful and enjoyable. It is fitting that here, in Minneapolis, this anniversary be celebrated, and that the splendid work of our educational director, George E. Allen, be recognized. The setting made the ceremonial one never to be forgotten, and it will remain forever an inspiration to the Institute men and

Los Angeles Hotel Rates

The following are the rates of the various Los Angeles Hotels, which will be in effect at the time of the American Bankers Association Convention, October 3 to 7:

- (A) Room, without bath, with running water, containing one single bed, to be occupied by one person.
(B) Room, without bath, with running water, containing one double bed, to be occupied by one person.
(C) Room, without bath, with running water, containing one double bed, to be occupied by two persons.

- (D) Room without bath, with running water, containing two single beds, to be occupied by two persons.
(E) Room with bath, containing one single bed, to be occupied by one person.
(F) Room with bath, containing one double bed, to be occupied by one person.
(G) Room with bath, containing one double bed, to be occupied by two persons.
(H) Room with bath, containing two single beds, to be occupied by two persons.
(I) Suite of two rooms, with one bath, to be occupied by two persons.

- (J) Suite of two rooms, with one bath, to be occupied by three persons.
(K) Suite of two rooms, with one bath, to be occupied by three persons (one room containing two single beds and the other room containing a double bed.)
(L) Suite of two rooms, with one bath, each room containing two single beds, to be occupied by four persons.
(M) Additional charge per day, for each additional occupant above the ordinary capacity of rooms.

HOTELS	A	B	C	D	E	F	G	H	I	J	K	L	M
Alexandria.....		4-4.50	5-6.00		7.00	5-8.00	8-10-12	10-12-15		14-18	16-22	10-12.00	2.00
Ambassador.....	3.00	4.00	5.00	6.00	8.00	8.00		10.00					2.00
Angelus.....	2.00	3.00	4.00			4.00	6.00			10.00			
Auditorium.....					4.00	4.00	5.00	6.00	7.00		10.00		
Baltimore.....	2.00	2.50	3-4.00	4.00	5.00	5.00	5.00	6.00	8.00	10.00			
Chandler.....		2.00	3.00		3.00		4.00						
Clark.....						3-4.00	5-6.00						
Cordova.....		2.00	3.00			3-4.00	4-5.00	7-8.00		8-9.00			1.00
Gates.....		2-2.50	3-3.50			3-5.00	4-6.00	6-7.00	6-8.00	7-9.00	8-9.00	12.00	1.00
Hayward.....		2.50	4.00			3.50	5-7.00		7.00	9.00	9.00	12-14.00	2.00
Huntington.....		2.50	3.50			4.00	5.00		7.00	9.00	10.00		1.50-2.50
Jovita.....	1.50		2.50		2.50		3.50		5.00	6.00			1.00
King Edward.....			3-4.00				5.00					10.00	
Lankershim.....	2.50		3.50			3.50	5.00	6.00		8.00	9.00	10.00	1.50
Leighton (American Plan).....		5.50	8.50	9.50		8.00	11.00	12.00	13.50	16.50	17.50	21.50	4.00
Northern.....		1.50	2.00			2.50	3.00						
Rosegrove.....	2.00	2.00	2.00		3.50								
Rosslyn.....		2.50	3.00			5.00	6.00	7.00	10.00	12.00	12.00		2.00
Savoy.....						5.00	5.00	6.00	12.00	14.00			
Southland.....	2.00	2.50	3.00			4.00	4.00	5.00	7.00	7.50	8.00		
Stowell.....						3-3.50	3.50-7				5-8-10		
*Trinity.....		2.00	3.00	3.50	5.00			5-6.00					
Van Nuys.....			3-4.00	4.00			6-7.00	8.00	10.00		12.00	16.00	1.00
Westminster.....		2.00	2.50-3			3.00	5.00	6.00	7.00	8.00	8.00		1.00
Woodward.....			3.00				4.00					7.00	

*Four suites, two rooms each, connecting bath, one room twin beds, one room double bed; \$8.00, four persons; \$7.00, three persons. Eight suites, two rooms each connecting shower bath, one room twin beds, other double; \$7.00 four persons; \$6.00 three persons.

State-Owned Banks Previous to Civil War

THE activities of the Bank of North Dakota have prompted a number of inquiries in regard to state-owned banks operated in the United States previous to the Civil War and the adoption of the National Bank Act. The principal state-owned banks were the State Bank of Indiana and the State Bank of Ohio, which are described as follows by Horace White in his book on "Money and Banking":

"In the State Bank of Indiana (1834-66) we observe in a primitive community the working of sound rules of banking under good administration. One-half of this bank was owned by the state and the other half by private citizens. It consisted of (1) a president and a central board of directors, whose powers were those of general supervision and regulation only; and (2) a number of banks in different parts of the state, termed branches of the state bank. The members of the central board had nothing to do with the investment of funds; consequently they were not ex-

posed to the temptation of making loans to themselves or to favorites in contravention of good business principles. The capital and profits of each branch belonged to its own shareholders exclusively, but each branch was liable for the debts of every other branch. The branches thus had a motive for keeping a watch upon each other. In case of the insolvency of a branch by reason of fraud in the management the directors of that branch were personally liable for the debts. This rule was prescribed in order to insure vigilance on the part of the directors in keeping watch upon the administrative officers. The central board was required to examine the affairs of each branch in detail at least twice each year. These examinations were made without previous notice and with the utmost thoroughness, usually by the president in person. Each branch was allowed to have circulating notes outstanding equal to twice its capital, but the notes were issued to them only by the central board, and as the central

board could not issue any notes to the public, the danger of overissues was practically nil. The bank was very successful, for no branch ever became insolvent, and it maintained specie payments during the financial crisis of 1857. The state of Indiana reaped a large pecuniary profit from it.

"The State Bank of Ohio (1845-66) was composed of a central board of control, similar to that of the State Bank of Indiana, and of branch banks (eventually thirty-six in number), each of which was liable for the note issues, but not for the general debts, of all the others. Each branch was required to make a deposit with the board of control equal to 10 per cent. of its circulation, either in money or in bonds of the state or of the United States, as a safety fund for the security of the notes of all the branches. Each was entitled to the interest derived from its share of the safety fund. The State Bank of Ohio was always solvent and successful."

Renewals of Confidence

By THOMAS B. McADAMS

First Vice-President American Bankers Association and Vice-President Merchants National Bank, Richmond, Va.*

PERHAPS not in half a century has America passed through a period of such a wide difference in the value of agricultural products and the actual cost of production, and this enormous loss, which had to be assumed by the farmers of the country at a time when many of them had yielded to the temptation to spend rather than save their war earnings and, in addition, incur indebtedness for improvements and machinery, which were useful but not really necessary, served to undermine the whole commercial structure of the nation. These losses were passed on rapidly from one industry to another through depreciation in the salability of their products—the whole change taking place with such suddenness and intensity that the wonder is not so much we have had troubles as that we have been able to escape commercial disaster.

The fertilizer companies, mail-order houses, general merchants, country banks and other industries dealing directly with the farmer were the first to suffer. Goods which had been secured from the manufacturer with great difficulty for the fall trade immediately became unsalable and corporations whose business had been running from 100 per cent. to 200 per cent. above 1919 up to September 1 experienced a sudden drop in sales, in many instances to less than 50 per cent. of their business for the year previous. The basis of value for fundamental products and manufactured merchandise was immediately demoralized and banks found themselves in a position where the old standards used as a basis for credit extensions were of but little value in dealing with the situation.

Of course, it is unnecessary to say we have not yet seen the end of this period of liquidation; in fact, in so far as dealing with the farmer is concerned, we cannot as bankers make any greater mistake

than to assume that out of this year's agricultural yield it will be possible to liquidate the entire indebtedness created in producing the crops of 1920 and 1921. There is every reason to think, however, that the present crop year will show a sufficient profit above the cost of production to liquidate at least a part of the indebtedness carried over from last year.

Even more important than the immediate liquidation of this indebtedness is the renewing of the confidence of the farmer in his ability to make a profit on his year's work, thus increasing his buying power, an essential step toward a restoration of normal business conditions.

Labor Must Help

Just as the farmer, the manufacturer, the merchant and the banker have been forced to readjust their businesses to changed conditions—bearing large losses in the readjustment of inventories and values and operating at the present moment on a smaller margin of profit—so it is inevitable that the general wage scale of this country—inflated perhaps to a greater degree during the war than any other one element entering into our commercial structure—should be readjusted downward to a basis in keeping with general conditions.

It is illogical to assume that the entire burden of adjusting selling prices to post-war conditions can or should be borne by the merchant and manufacturer. Capital is being adjusted to the changed conditions and it is inevitable that labor must contribute its share toward the renewal of commercial activity.

The control of the food markets has been for the benefit of the middleman and at the expense of both the producer and the consumer, and one of the most important matters confronting the American people today is the devising of some proper method for distributing and marketing perishable farm products which will result in a fair return to the producer for his labor and take

away from a few men in a community the power to control market prices, either by mutual agreement as to prices or by using artificial means to keep a sufficient supply off the market in order to prevent a reduction in the prices paid by the consumer.

The next fundamental factor in our journey toward normal business is the restoration in the minds of the individual business man and banker of the ordinary standards of credit. The rapid change from a seller's to a buyer's market and the general feeling which has prevailed that goods could be purchased safely only for a quick turnover, together with the many large losses which have been sustained because of inability to sell hypothecated merchandise for sufficient sums to liquidate the indebtedness thereon, has resulted in our discounting to a greater degree than seems necessary the real value of these products from a credit standpoint.

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The selfishness of those who have jobs—who prefer to hold up the price of their labor even if in doing so it results in thousands of their fellow men being left without

*Extracts from an address before the Ohio Bankers Association at Cleveland.

employment—must sooner or later yield to public sentiment and economic law. I have full sympathy with the American working man in every reasonable effort he makes to improve his working conditions and to see that he gets a fair return for a day's work, but I cannot subscribe to a policy which results in taking all that can be secured by force, compelling the payment of wages out of proportion to the value of the service rendered, with the possibility of bankrupting enterprise and disturbing our whole commercial system.

Damaging to Labor

The weakness of politicians has during the past few years resulted in the adoption of laws and policies, which in many instances have proved as damaging to the efficiency of labor itself as they are destructive of the best interests of the people as a whole.

The recent wage cut of 12 per cent. allowed by the Railway Labor Board is a step in the right direction, but the conservative, sane-thinking, red-blooded American employee himself must realize that further reductions are inevitable, not only that the stability of our railway systems may be maintained, but that the public generally may be relieved of a reasonable part of the burden it is bearing because of increased freight and transportation charges.

We cannot stabilize the price of steel, building materials, clothes, shoes, automobiles, or any of our other principal products — in the cost of which labor is such an important factor—until there has been a reasonable adjustment of this item of expense, and the sooner the labor leaders and politicians realize that such an adjustment is essential to the prosperity of the country and therefore of themselves, the sooner we can more hopefully face the future.

A Hopeful Sign

Of the more hopeful signs in the commercial heaven is the decided change which has taken place in the attitude of the American public toward our great transportation systems.

America is a nation of pendulum swingers—we usually go from one extreme to another. We have seen this in the prohibition movement, when as the result of popular disapproval of the open saloon, we have gone so far to the other extreme as to prohibit the use of 3 per cent. beer for medicinal purposes. We have seen it in the dress of our women, where from puffed sleeves and bulging skirts, they have gone to short skirts and no sleeves at all. We have seen it in our anti-trust laws, where in our efforts to eliminate the abuses of great combinations of capital, we have put unnecessary shackles on legitimate enterprise and at the present moment are curtailing greatly the ability of our merchants and manufacturers to cooperate in the extension of our foreign trade. Above all, this desire to regulate and change, to go from one extreme to another, has been evidenced in our handling of the railway situation. Disgusted with the efforts to control legislation, worn out with the arbitrary position assumed by the public carriers in their dealings with the public and their own employees, dissatisfied with the many abuses which had grown up resulting advantageously to a few corporations and communities at the expense of the many, we were not content to simply cure the disease, but in retaliation have kept the patient upon a starvation diet for so many years as to almost destroy his efficiency.

Did Not Foresee

A 10 per cent. or 15 per cent. addition to freight rates, granted by the Interstate Commerce Commission seven or eight years ago, at the time when general conditions, betterments, extensions and the increasing demands of the public for better service made it essential that the credit of the railway systems should be maintained at the highest point, would have put our carriers in a position to have successfully met the demands of the war without government intervention and would have made unnecessary the large freight increase granted last year, at a time when declining business could ill afford to stand the additional burden. The Interstate Commerce Commission could not

see, however, that the success of American industry was directly linked up with the soundness of our transportation system and failed to realize that increased income was an essential prerequisite to the restoring of the confidence of the investor in railway securities and the making possible on the part of railways an extension of their facilities to such a degree as would enable them to properly handle the growing business of the country.

More Railroads Needed

Under the conditions which have prevailed in transportation during the past ten years, who would be so brave as to construct a great system like the Northern Pacific; who would be willing to take the chance of building the additional mileage which is now needed to open up the still undeveloped portions of this country? There is hardly a state in this Union that does not need more railroads, and yet the mileage is either decreasing or at a standstill. In Virginia we have had more miles torn up than we have built, and it is a deplorable fact that one-fifth of the counties of Virginia have practically no railway facilities; yet there is no one who, under the policy of malnutrition assumed in Washington, would be willing to risk his all in an effort to build such roads under existing conditions.

President Harding is indeed to be congratulated upon his wisdom in seeing the necessity for immediately doing something to strengthen the financial condition of the railways — both that their buying power may be increased and their credit restored; and the making immediately available of the half billion dollars due the railways as the result of government operation, at the same time funding for ten years the amounts spent on these properties by the government for equipment and betterments, will prove a most important factor in solving our immediate economic and financial problems.

Surtax Period

From my viewpoint, the calendar year does not represent a fair basis for the calculation of surtaxes, and I believe it will be a great

relief to the American public to have these surtaxes figured upon the average income for say three or five years, rather than pursuing our present policy of basing the calculation upon each year's profit and loss. Such a change would result in one's paying taxes upon his average income rather than being assessed at high rates based on the inflated earnings of one year and having no offset in the event of a sudden loss during the following twelve months. It would also do away with the policy pursued of establishing losses at the close of the year by selling and repurchasing, and at the same time there would be less fluctuation in the income of the government, enabling the treasury officials to figure more definitely the annual returns from this source of taxation.

Why It Is Unfair

The present system is unfair in that often during a specific calendar year profits are made which represent the results of labor covering a period of many years rather than the earnings of that particular period. An artist may work for years upon a painting and finally sell it for a large price, only to find that he must give up the same percentage of these earnings as if the money had been made in a speculative transaction covering a period of a few weeks. A business man may spend years in developing his business, putting the earnings back into the property, making real sacrifices that the business may be built up and its financial strength increased and then dispose of it and be forced to give up as large a part of these savings in taxes as if the whole profit had been accumulated during the year in which the transaction was consummated.

America occupies a strategic position in this crisis. It is as inevitable she should assume a position of cooperative leadership in the necessary movement to rebuild the commerce between nations as it was she should send troops abroad in 1917 and sacrifice the lives of the youth of the nation in the world cause of justice and humanity.

In doing this, we must first readjust our local conditions to enable

us to render the maximum amount of service.

The Tariff

If we are to sell, we must buy, and if our exports are to exceed our imports and we are to retain our present position as a creditor nation, there are only two ways in which this can be done and the farmer and manufacturer paid for their products: First, the importation of raw materials and other products needed by our people. Second, the extension of long-time credits on such terms as will prove safe and attractive to our investing public.

Our ability to buy as an offset for goods sold will largely depend upon our own tariff regulations. I have no interest in the tariff as a party proposition. From my viewpoint, it has too long been a factor in politics and is an economic rather than a political question, which should be solved according to the standards of good business rather than because of platform pledges and political expediency.

Whatever may be said for a high protective tariff under normal conditions, or rather under conditions which have existed in America in the past, when we were largely in the debt of the nations of the world and needed to protect our growing industries against unfair competition—and there are many sound arguments in favor of this two-sided question—it does seem illogical that at this time when we have hundreds of millions of dollars due us from people all over the world, most of whom have goods and very few of whom have money or credit sufficient to liquidate this indebtedness, that we should not rush too hurriedly into the passage of a tariff measure which may stop the flow of products to this country and affect the liquidation of this indebtedness.

Unpaid For Goods

It is estimated that America has over a hundred million dollars of unpaid for goods in the Argentine alone. At best a large loss must be assumed by the shippers of this merchandise and one may with propriety doubt the wisdom of our building up a barrier at this time

which will tend to prevent the liquidation of at least a portion of this indebtedness through the shipments of raw materials and other commodities to this country. Surely, some middle ground can be devised which will afford protection where protection is really needed and which will at the same time cause as little disturbance as possible to world trade, which is badly in need of stimulation and encouragement rather than a policy which may prove to be partial strangulation.

Europe Reaped a Harvest

Europe reaped a harvest from investments made in this country after the close of the war between the states, and there is every reason to think that a similar policy pursued by America through an intelligent investment of her funds—created through surplus exports—in the industries and securities of those nations, the financial stability of which must sooner or later be revived—will prove not only profitable to the individual investor but will also go a long way in restoring the commercial stability of the nation and increasing her influence in world commerce.

Educational Campaign

Another activity of the American Bankers Association contains real possibilities for strengthening the banking situation and the solution of some of our social problems which at times in the recent past have seemed to menace the very fundamentals of our government.

There is perhaps no one thing in this country, with which the people come in close personal contact, about which there is so much general ignorance as is true of the average man's knowledge of and attitude toward the banking business.

We can render no greater service to the public than to advise them intelligently and conservatively as to the functions of banking, some of the inspirations and ideals, besides mere money making, which control the activities of the leading institutions of the country, and develop in them the thought that a bank account is not only a step toward individual prosperity but is a direct contribution to the commer-

cial strength of the nation. Money hoarded means commercial power lost; increase in bank deposits means a corresponding strengthening of the financial blood of the nation so necessary to comprehensive business development.

Under the leadership of Mr. John H. Puelicher, the Committee on Public Education has recently prepared a series of lectures which are to be distributed to the members of our Association and the American Institute of Banking with the view of having them delivered in the public schools of the country during the coming session. These lectures are simple in form and comprehensive in scope and will at least serve to take away from the coming generation some of the mystery which now surrounds banking in the mind of the average individual.

Reaching the Homes

Through the education of the children we hope to reach the home. Following up the lectures, it is proposed that the children in groups shall be invited to visit banks so that they may come in actual contact with some of the physical operations of the bank and the lessons taught them be thus made more real.

Coupled with this, we hope that during the coming year it may be possible for the A. B. A. to prepare a series of advertisements on general banking subjects to be distributed to the clearing houses and banks with the view of having them appear simultaneously in the papers throughout the country. Intelligently carried out, this comprehensive and cooperative effort on the part of the banks generally should prove most beneficial to our whole financial structure and should in addition impress the individual as to the part his labor and savings must play in the development of the future prosperity of the nation as a whole.

Just as bolshevism is the menace of capital, so is property ownership the most successful answer to the

wild socialistic theories of government which are the products of brains disordered and demoralized. The old principles upon which this government were founded have proven themselves to be workable and fundamentally sound enough to maintain the happiness of a liberty-loving people. We need no radical changes; we welcome no foreign theories aimed at the disruption and corruption of our social and political structure.

The mission of the banker in the solution of this vexing problem is the direct one of encouraging hard work and intelligent saving on the part of the individual. The man with a savings account becomes the owner of a home, and the home owner, as a rule, has no sympathy with the theories of the dissatisfied leader who is anxious to turn everything upside down that he and his associates may enjoy those very benefits, the possession of which by others he now condemns.

Thrift Beat Bolshevism

Beaten, discouraged, starving Austria yielded not to bolshevism and drove Bela Kun and his associates from her doors largely because her people had been taught to be industrious and had been accustomed to save. Thrift in Austria was the nation's salvation, and if it were an efficacious remedy under the conditions which existed there after the armistice, it can surely successfully cope with any similar revolutionary movement that may arise in this country of ours where we have been taught to rely with confidence in every emergency upon the good sense of the average American citizen.

Hard work, curtailment of speculation, encouragement of individual initiative, the systematic saving week by week of a part of our earnings, are the necessary supports of the bridge we must cross over in order to reach the promised land. We have come down a long, long hill—a part of the descent was precipitous and accompanied by great danger—and we have reached the

valley; just how long it will take us to cross it; just how much time must elapse before we can begin the ascent upon the other side depends upon the loyalty of the American workingman, the intelligence and cooperative spirit of the American employer, the leadership of the American banker and the patriotism of the individual citizen.

May we not as bankers, leaders of popular thought because of the confidential and personal relationship we enjoy with our customers, take from our eyes the blue glasses of uncertainty and the yellow glasses of discouragement and looking through the clear white glasses of hope, opportunity and optimism work assiduously to the end that the disaster which is now behind us may be outdistanced and the heights leading to prosperity successfully and quickly scaled?

A dispatch from Los Angeles to the JOURNAL says of W. W. Woods, recently elected vice-president of the National City Bank of New York:

"The election of W. W. Woods, vice-president of the First National Bank of Los Angeles as vice-president of the National City Bank of New York, will be looked upon with favor throughout the entire west. Mr. Woods is thoroughly conversant with the economic and financial problems of the Pacific coast and of the intermountain country and is strong not only in California and the Southwest but in Utah, Idaho and the Puget Sound district. His connection with the First National Bank of Los Angeles, a leader in the solution of the commercial, financial and economic post-war problems on the Pacific coast, has made him particularly conversant with commodity movements and the cooperative marketing organizations of California."

Buffalo Trust Company of Buffalo, New York, at its annual meeting of July 12, elected Myron S. Hall, who has been president, as chairman of the Board, and elected George F. Rand, Jr., who has been vice-president of the Marine Trust Company, to the presidency of the Buffalo Trust Company.

Under Mr. Hall's management the Buffalo Trust Company, formerly the Buffalo Loan, Trust and Safe Deposit Company of Buffalo, has grown from an institution with total resources of \$3,000,000 to its present position with its total resources of nearly \$20,000,000.

When You Reach Los Angeles

These Are Some of the Many Things the Local Bankers Have Arranged for Your Entertainment

A MOST elaborate program for the entertainment of delegates to the Los Angeles Convention of the American Bankers Association, October 3 to 7, inclusive, has been prepared by the Entertainment Committee, of which Motley H. Flint, vice-president of the Los Angeles Trust and Savings Bank, is chairman.

In preparing the program, the committee has very carefully arranged entertainment which will in no wise conflict with the business meetings of the Convention sessions. At the same time, the program will enable the delegates to visit some of the natural beauty spots of California during the week, and will allow them plenty of time to absorb the high lights of California's interesting sights, with comparative comfort.

How broad a range the program covers is realized when Mr. Flint announces that intimate views of the making of motion pictures have been arranged, and a very alluring visit to the Santa Catalina Islands, "The Magic Isle of the Pacific," is on the schedule. In addition the usual order of dinners, smokers, luncheons, balls and golf tournaments is planned, and the delegate will find no time hanging heavily on his hands outside of the Convention hall. Briefly, the chronological order of entertainment, covering the period from October 2 to 8, inclusive, will be as follows:

Sunday, October 2. A large automobile party will tour the city of Los Angeles, and open house is to be the order at one of the largest producing motion picture studios in the world. As a usual thing, it is impossible to visit the motion picture studios, as it has been found necessary to prohibit visitors.

American Bankers Association Convention guests will see how big motion pictures are made. The details of this particular entertainment call for a Spanish barbecue within the studio grounds at the close of the day.

Monday, October 3, will be de-

voted entirely to Convention meetings, as set forth in the official program, and no entertainment features have been arranged.

On Tuesday, October 4, the entire day will be devoted to Convention meetings, but in the evening the members will be the guests of the Los Angeles Group of the Investment Bankers of America at an official smoker to be held at the Los Angeles Athletic Club. An elaborate program, including boxing matches, sporting events revue and the like, to be followed by a buffet supper, has been arranged. Obviously the smoker will be a stag affair, but ample provision has been made for the entertainment of the ladies, who will be the guests of the Ladies' Reception Committee at a theater party and an after theater supper at the Hotel Ambassador.

By the Way

By the way of entertainment Los Angeles has provided a program with plenty of high points and a few thrills. If you have not already familiarized yourself with the Californians' plans for making the delegates happy the accompanying article is for you.

During the morning of Wednesday, October 5, the regular Convention sessions will occupy the delegates, but automobiles will be provided for the ladies and two Scout cars will take them to different places. In the afternoon, they will be the guests of the Clearing House Association of Pasadena and the Pasadena Chamber of Commerce.

In the evening a moonlight ride has been arranged to Universal City—another of the big motion picture studios, which will be illuminated.

On Thursday, October 6, after the Convention sessions a formal ball will be held in the ballroom of the Ambassador Hotel under the auspices of the American Bankers Association.

At 9 o'clock on Thursday morn-

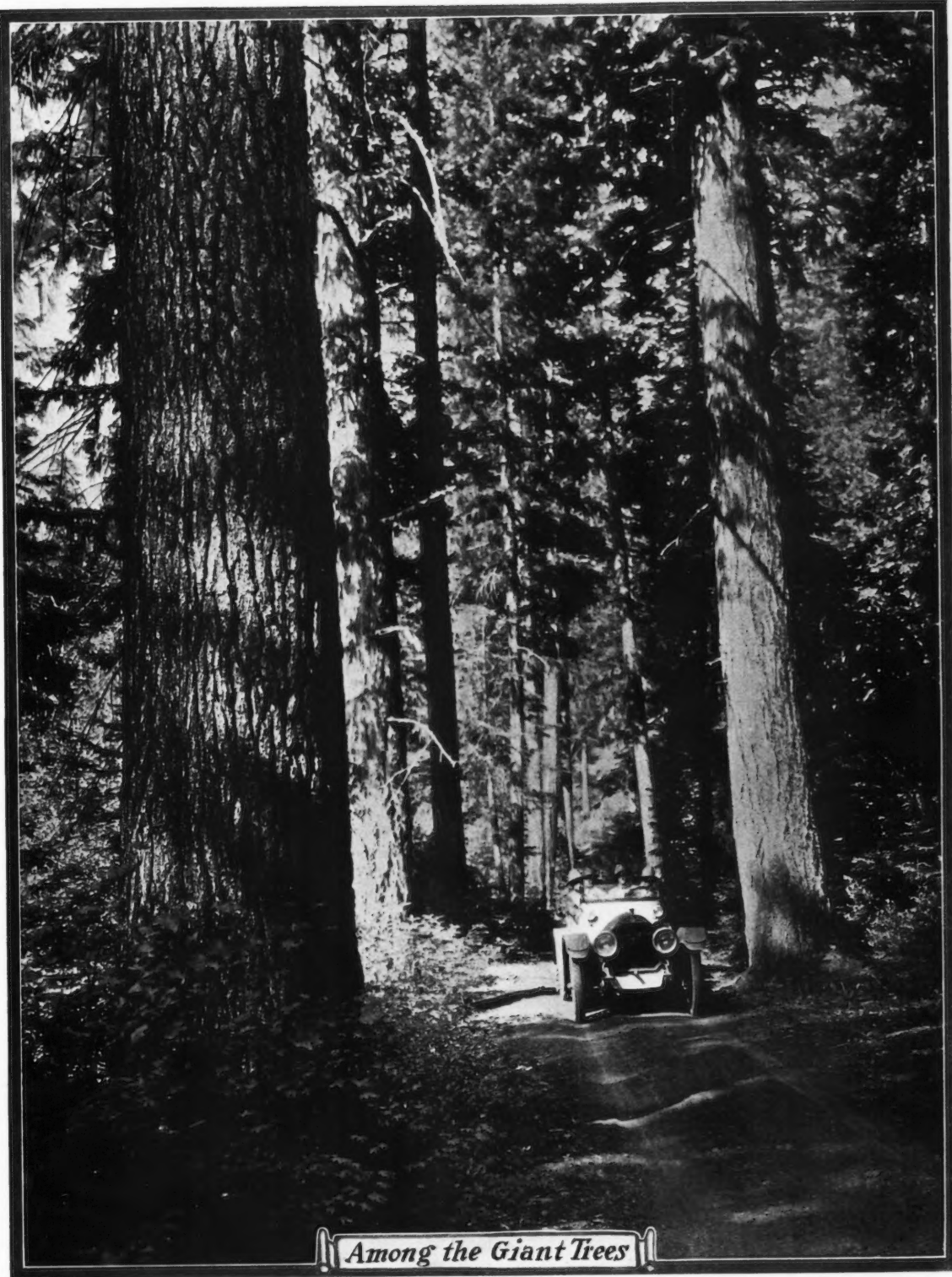
ing a golf tournament will begin, which will start off with eighteen-hole handicap medal play. The contestants may play either in the morning or afternoon. The Los Angeles cup will be the feature trophy to be awarded to the player making the best net score for eighteen holes. Handsome 2d, 3d, 4th and 5th prizes have also been put up.

A blind event contest, about which the entertainment committee refuses to divulge any specific information, is on the program, and prizes are to be awarded by the committee, which will act under sealed instructions. In addition to the prizes already mentioned, the St. Louis cup, contributed by St. Louis bankers in 1919, will be awarded to the player making the lowest medal score.

For the convenience of those who will play in the golf tournaments, the Country Club bus will meet all Santa Monica interurban cars leaving Los Angeles during Friday, October 7.

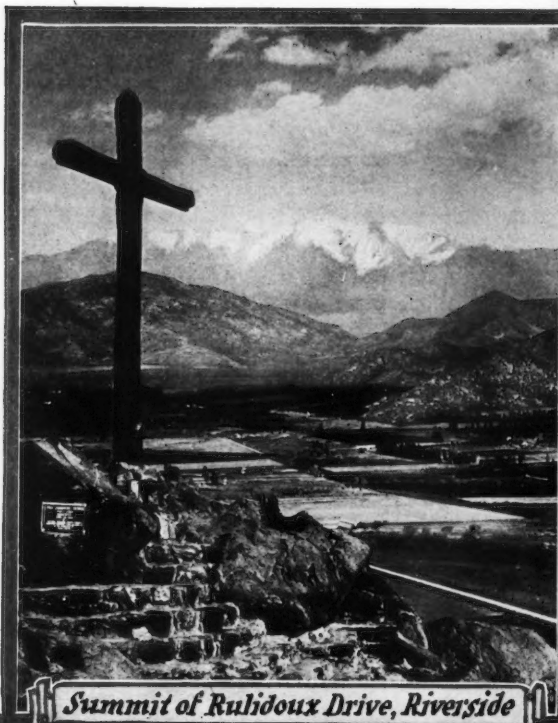
The feature entertainment, which has been designated by the committee as "Catalina Day," will take all of Saturday, October 8. Special boats are to be provided for the transportation of visitors to Avalon, Santa Catalina Islands. Upon disembarking at Avalon the guests will be divided into two parties—one which will cruise about in the three glass bottom boats—the *Empress*, *Emperor* and the *Cleopatra*—to view the famous submarine gardens. The other will go to the Hotel Atwater for a buffet barbecue luncheon, which will comprise a typical California seashore menu. If all cannot be accommodated at the Atwater, luncheon will be served at the St. Catherine. The two parties will reverse their programs immediately following luncheon.

W. D. Woolwine of the Merchants National Bank and G. G. Greenwood of the Security Trust and Savings Bank of Los Angeles are vice-chairmen of the Entertainment Committee.

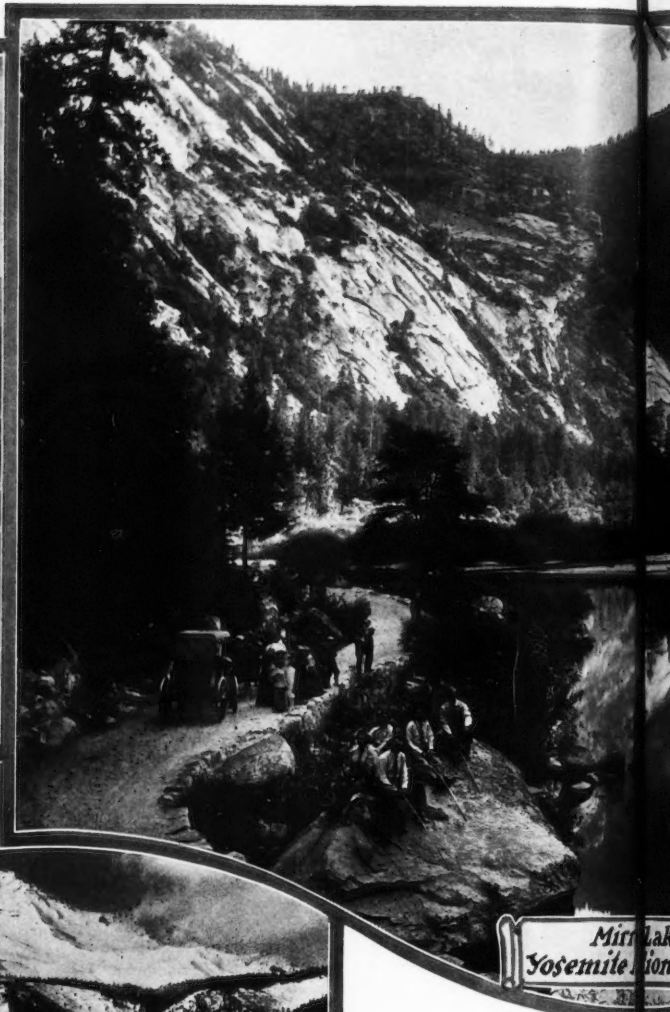


Among the Giant Trees

A·B·A· Convention - L



Summit of Rubidoux Drive, Riverside



*Mirror Lake
Yosemite National Park*

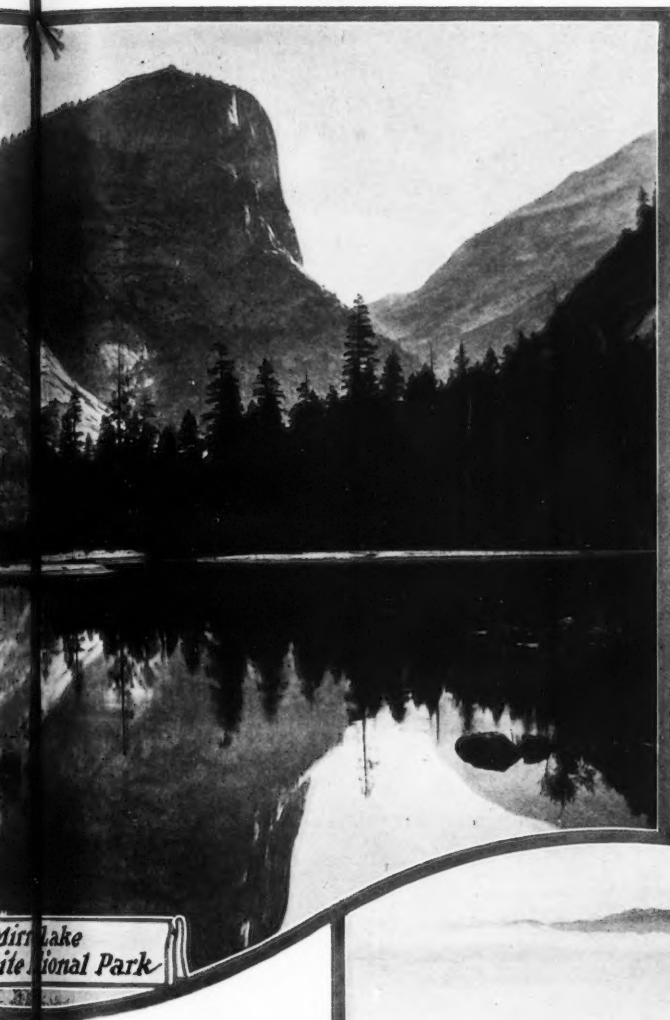


Mt. Shasta

On Yor

Come to the forty-eighth annual American Bankers Association, Los Angeles October 3 and 4. It is a great convention—vital to the business of the country; big in scope and exceptionally attractive in location for delightful tours to famous scenic spots in the vicinity to the convention city. Specially arranged tours will take you to all the points for the delegates from the Middle West.

Los Angeles, Oct. 3rd ~ 7th



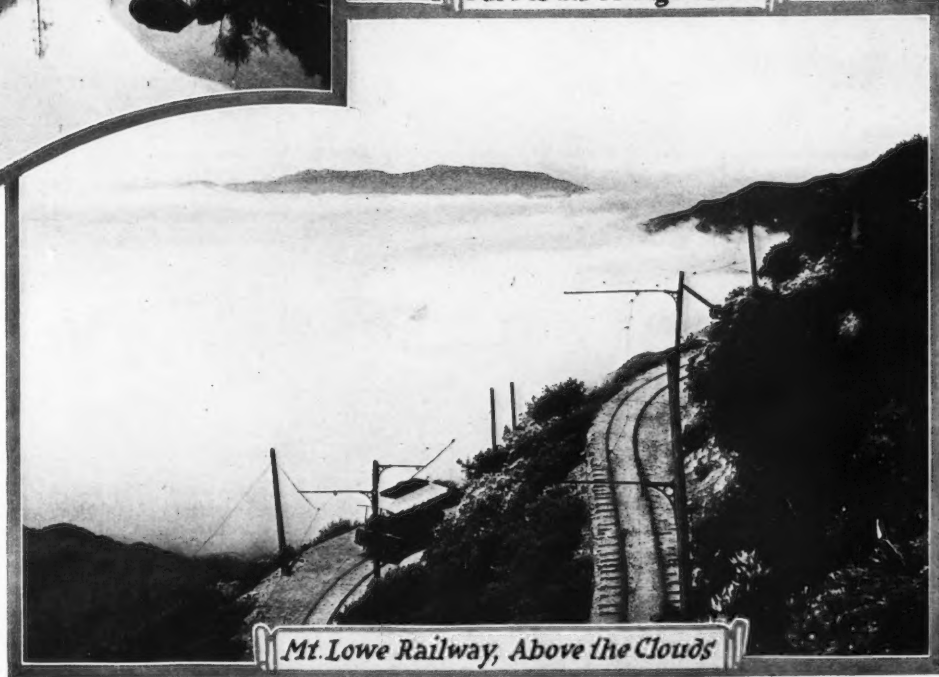
Mirror Lake
Annapolis Park



Part of an Orange Grove

For Way!

Eight annual convention of the Association, which opens at Los Angeles on October 7. This will be of vital importance to the business community in the chance it offers to meet in close proximity many natural beauties. We will take in all important features from the East, South and



Mt. Lowe Railway, Above the Clouds



Sunken Gardens of a Santa Barbara Home



A Redlands Home

Booked for the Convention

EARLY estimates received from secretaries of the different state banking associations and from tour managers of railroad companies indicate that the Los Angeles convention of the American Association, from October 3 to 7, inclusive, will be a big success.

The reservations which have already been received by the Atlantic seaboard companies show that every seaboard state will be represented. Among those who have already made reservations on the Canadian Rockies tour are Thomas B. McAdams, first vice-president of the Association; John T. Dismukes of St. Augustine, Fla.; O. P. Freeland of Jersey City; J. E. Cox of High Point, N. C.; Francis H. Sisson of the Guaranty Trust Company; D. I. Mead of the Irving National Bank, and many more.

From Illinois

From the secretaries of the different state bank associations word has been received showing that special trains which have been arranged by many organizations will be well filled before leaving for Los Angeles. M. A. Graettinger, secretary of the Illinois Bankers Association, gave from seventy-five to 100 bankers and their families as his preliminary estimate of those who will go from that state. Among the number he mentioned Oscar G. Foreman, W. W. Smith, Oliver F. Smith, C. B. Hazlewood, M. A. Traylor, W. C. Macfarlane and M. A. Graettinger of Chicago; C. H. Ireland of Washburn; W. Wright, National Stock Yards; W. S. Rearick; R. R. Ward of Benton.

G. M. Hyde, secretary of the Massachusetts Bankers Association, advises that reservations have already been made for Mr. and Mrs. A. L. Winship, Mr. and Mrs. F. C. Waite, of Boston; Mr. and Mrs. F. C. Nichols and Mr. and Mrs. E. A. Onthank of Fitchburg, and Mr. and Mrs. F. A. Shove of Malden.

Andrew Smith, secretary of the Indiana Bankers Association, reports that among those who will make the trip from his state are Mr. and Mrs. C. L. Zigler of South Bend; M. F. H. Huber, Mishawaka;

Mr. Andrew Smith and Mr. and Mrs. Rome C. Stephenson of South Bend.

From Minnesota

The preliminary estimate of G. H. Richards, secretary of the Minnesota Bankers Association, shows that the attendance from that state will be good, and among those who have arranged to go are J. A. Latta, A. A. Crane, Edgar L. Mattson, E. E. Connor and A. T. Wherry.

Frank Warner, secretary of the Iowa Bankers Association, estimates that there will be from 100 to 125 who will make the trip, and W. F. Keyser of the Missouri Bankers Association advises that the Missouri and Kansas Bankers Association are getting up a special train to Los Angeles. Among those who will make the trip will be William McMartin, St. Louis; John M. Moore and wife, Kansas City; H. M. Morgan, St. Louis; Chas. H. Moore and wife, Kansas City; R. S. Hawes and wife of St. Louis, and W. F. Keyser, Sedalia.

W. C. MacFadden, secretary of the North Dakota Bankers Association, reports that among others who will make the trip are R. E. Warren, Minot; E. Pierce and wife, Sheldon; E. Beissbarth, Marion; W. C. McDowell and W. C. MacFadden; and L. J. Welch, secretary of the South Dakota Bankers Association, advises that an effort is being made to fill a special sleeper which will be attached to one of the trains coming from the East.

W. W. Bowman, secretary of the Kansas Bankers Association, states that the number of bankers who will go to the convention from that state will reach one hundred.

From J. T. Bartlett, secretary of the Alabama Bankers Association, advice is received that among the number to go from Alabama will be Oscar Wells, Birmingham; Foster Hamilton, Ensley; A. L. Staples, Mobile, and A. H. Dabbs.

An estimate received from Robert E. Wait, secretary of the Arkansas Bankers Association, includes the following names: Colonel H. L. Remmel, president of the Arkansas Bankers Association and president

of the Bankers Trust Company of Little Rock; Chas. S. McCain, Little Rock; Carl Hollis, Warren, and Tom Davis, Conway.

The Wisconsin Bankers Association has arranged, as have many of the other state organizations, a sight-seeing tour to California, which will be run both to and from the convention. The tour will take in Aberdeen, S. D.; Butte, Mont.; Spokane and Seattle, Wash.; Portland, Ore.; Shasta Springs, San Francisco and Los Angeles.

Railroad Tours

Tour A of the Red Section provided by the New York Central will leave Grand Central Terminal at 2 P. M., Eastern time, Friday, September 16, and will include an extended trip through the Canadian Rockies, arriving at Los Angeles at 5.30, on October 1, and leaving Los Angeles over the "Santa Fe" at 2 A. M., Saturday, October 8, arriving at Grand Central, New York, Thursday, October 13, at 5.25 P. M. The White Section tour, New York Central, leaves New York at 2.45 P. M., September 21, runs through Denver, Colorado Springs, Royal Gorge, Salt Lake City, San Francisco, Yosemite, Del Monte and the Grand Canyon. It reaches Los Angeles at the same time with the Red Section, which it joins at San Francisco on September 28.

The tour arranged by the Pennsylvania leaves New York September 25. It will be de luxe service and will touch such interesting points as Grand Canyon, San Diego, Royal Gorge, Salt Lake City, Big Trees, Santa Barbara, and will return to reach New York October 18. San Francisco will be visited after the convention.

Haynes MacFadden, secretary of the Georgia Bankers Association, states that a special train will be made up in the South to touch such points as Atlanta, Nashville, Birmingham, New Orleans and the state of Texas, moving over the A. & W. P., L. & N. and Southern Pacific, leaving Atlanta September 28 and reaching Los Angeles, Saturday, October 1.

Bank of North Dakota Answers Criticism

By W. G. ROYLANCE

Statistician of the Bank of North Dakota

SINCE the beginning of 1919 there have been issued hundreds of millions of dollars of state and municipal bonds. The purposes for which these bonds are issued include the making up of deficits in current expenditures, compensation for service men, road building, the construction of educational and other public buildings, irrigation, drainage, bridge building, rural credits and the building and operation of grain elevators, flour mills, warehouses and other marketing facilities. Some of these purposes receive the unqualified approval of financial interests, while others are more or less vigorously opposed. In most cases, however, bankers lend their aid for at least the selling of the bonds of their own states, even though they do not wholly approve of the purposes for which they are issued. In doing so bankers show that they acknowledge that they owe a duty to their state and local governments to aid in the financing of any public activity, regularly and legally approved by the people.

Though many bankers have shown some hesitancy with regard to certain bond issues of their own states, North Dakota stands out as the one example of a state whose bonds are systematically boycotted by her own bankers. North Dakota bankers excuse their action on the ground of the alleged socialistic nature of the enterprises for the financing of which North Dakota bonds are issued and of the alleged inefficiency of the officials elected by the people to administer these enterprises. So far as the charge of socialism is concerned, it would seem that the existence in North Dakota of state-owned elevators and mills, home-building enterprises and rural credit facilities affords no greater reason for discrediting the state's bonds than does the existence of similar enterprises in South Dakota, Montana, Minnesota, Louisiana, Washington, Oregon, California and New York. The North Dakota program of state enterprise in-

cludes the building of homes for its people; California makes similar provisions. North Dakota is building a state flour mill; the public port of Astoria in Oregon already has and is operating one or more. North Dakota is building a terminal elevator; Louisiana already has one; there is another owned and operated by the port of Seattle; there are publicly owned elevators at Tacoma and Portland; and the state of New York is building one and planning to build more. As to the alleged inefficiency of the North Dakota administration of state enterprises, similar charges are always made by opponents of public ownership, and even of private enterprises, where new ground is being broken and existing monopolies threatened. Yet even such op-

bankers may be illustrated by supposing the existence of a similar situation in another state. New York has recently offered several million dollars of bonds, a considerable portion of which (the soldier bonus bonds) have not yet been sold. The public debt of the state of New York is proportionately much greater than that of North Dakota. Per capita taxation is much higher. Where there is one charge of graft or waste of public funds in North Dakota there are scores in New York. Now suppose that under these conditions the associated bankers in New York had deliberately set about to discredit the state's bonds. Suppose that they had organized press bureaus to circulate misinformation throughout the country, magnifying the state's indebtedness, its high taxation and the inefficiency of its government. Suppose they had played up the Travis investigation, the traction scandal, the harbor scandals and the building contractors' scandal, and other similar conditions too numerous to mention, to show the general unsound political and financial condition of the state; and suppose they had added to all this the fact that the state of New York owns a land bank (which it ought to operate if it doesn't) and a barge canal, and that it is building state elevators (and is, in fact, fathoms deeper in state socialism than the state of North Dakota) further to frighten investors—would or would not this be called a conspiracy to prevent the sale of bonds of the state of New York?

It can hardly be denied that there exists a combination of conditions, and apparently a community of interests, all working together to make the sale of these bonds at the present time extremely difficult. North Dakota bankers can hardly plead the ignorance of these conditions.

Though it must be admitted that the combined opposition of the entire banking fraternity of any state to discredit its bonds creates an

The Other Side

Under the title of "Non-Partisan League Experiments," the JOURNAL in June printed a study of North Dakota's state-owned bank. Exception has been taken to some of the statements therein made and the State Bank's side of the subject is set forth vigorously in this article by W. G. Roylance.

position is rarely held to justify the use of financial power and influence for the thwarting of the plainly expressed will of the people.

The bankers scout the idea of a conspiracy, or even of any concerted attempt, to hamper the sale of North Dakota bonds. They ignore the fact that even neutrality on the part of bankers toward the issues of their own state naturally gives rise to suspicion; and general opposition on their part, even though not organized, would plainly indicate a degree of hostility that could be justified only if there exist extremely unusual conditions, such as actually threatened insolvency of the state or an unparalleled condition of political corruption in connection with the proposed enterprises.

The attitude of North Dakota

extremely difficult situation, it would not be so very serious in North Dakota if the bankers would confine themselves to accuracy. This they have not done. In a recent article published in the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION on "Non-Partisan League Experiments in North Dakota," the secretary of the North Dakota Bankers Association makes misstatements of fact, inexcusable on the part of a person of his prominence and business connections.

Fight on the League

The fight that North Dakota bankers are making on the Non-Partisan League may be justified, or at least excused, on the ground that the bankers believe that the carrying out of the purposes of the league would be injurious to banking interests. But they cannot possibly claim the same justification or excuse for their attacks upon the state administration, charged with the carrying out of the regularly and legally expressed will of the people.

It may be presumed that the North Dakota Bankers Association represents the majority of North Dakota bankers, and undoubtedly represents the interests of those groups of bankers powerful enough and influential enough largely to shape banking opinion throughout the state. The secretary of the North Dakota Bankers Association, when writing for a financial publication of the standing of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, presumably represents the association, at least in a semi-official way. We take issue with the article in question, especially on the following points:

Take Issue on Five Points

1. That the Governor of the state of North Dakota, as member and chairman of the Industrial Commission, which has charge of the administration of state industries, has a veto power upon all its acts.

This could be held only by a strained construction of the language of the act.

2. That any of the bonds issued

by the state of North Dakota for the financing of its industrial program could have been sold as far below par as offers might have been made.

This is true only of the bank bonds, but these were actually sold at par. For all other issues, the statutes provide specifically that sales shall not be below par, and interest rates are limited to 6 per cent.

3. That the law creating the Bank of North Dakota provided that funds deposited in the bank might be redeposited in local banks in the counties from which such funds came.

There is no such provision in the law. As the power so to deposit funds is covered in the general grant of power to the bank, with regard to the depositing of its funds, this misstatement would be of no significance were it not that it gives a certain plausibility to unwarranted inferences drawn by the writer with regard to the distribution of the deposits and loans of the Bank of North Dakota.

4. That the Bank of North Dakota has used from \$6,000,000 to \$7,000,000 of public funds to make mortgage loans and to finance the industrial program.

The truth is that, in a strict sense, the Bank of North Dakota has not used any public funds for these purposes. It has made out of its funds certain loans on first real estate mortgages and certain loans to state departments, institutions, industries and enterprises. It is true that at the time these loans were made the deposits of the bank consisted largely of public funds. But it will hardly be denied that the bank had a certain loaning capacity in addition to these funds—since it had other deposits—and, in fact, in addition to all its funds. The Bank of North Dakota has a capital of \$2,000,000. Furthermore, the replacement of the funds of the bank used for making these loans was provided for by authorized bond issues, supported by the full faith and credit of the state. So that the bank made these loans out of its total loaning ability, consisting of public and private deposits, its capital and the bonds issued by the state for the replacement of funds so loaned.

The figures given in this connection are incorrect. The June statement of the Bank of North Dakota shows that its real estate loans amount to \$2,880,417.76; its loans to state departments, institutions and industries, \$1,217,000, and cash items due from the state and public corporations, \$84,491.65. Assuming for convenience that the whole of the last item consists of advances to state activities, we get a total of \$4,171,837.71, instead of \$6,000,000 or \$7,000,000.

Closing of Private Banks

5. That the Bank of North Dakota is responsible for the closing of private banks, and for the tying up of public funds in them.

It is well known in North Dakota, and North Dakota bankers have repeatedly so stated, that the closing of banks in the state was due chiefly to repeated crop failures, to the slump in farm prices, and to the general financial stringency. The condition was undoubtedly aggravated by the rapid withdrawal of public funds from the Bank of North Dakota, under the amendment to the public funds law, sponsored by the bankers. The Bank of North Dakota did everything in its power to bring about gradual liquidation of these funds so as not to make too heavy drafts upon local banks in which it had re-deposits. As to responsibility for public funds being in closed banks, they were there when the Bank of North Dakota was organized, and, as the local banks were unable to pay treasurer's checks transferring such funds to the Bank of North Dakota in accordance with law, the latter, of necessity, deposited such checks to its credit in the banks upon which they were drawn. This also explains the alleged discrimination between the Fargo banks—this and the fact that some of the Fargo banks did not want deposits from the bank of North Dakota.

It may or may not be true that financial interests outside of North Dakota have used their power and influence to discredit North Dakota bonds. It is, of course, generally admitted that the larger investment bankers and bond houses are not aiding their sale. But there ought



Source of North Dakota's Wealth

Photo by Brown Brothers.

to be no doubt as to the position of North Dakota bankers. They have opposed the state industries created by the people and have attempted to discredit the bonds issued to finance them, from the very beginning, by their own direct acts, by participation in political opposition to the state administration and by aiding the circulation of misleading newspaper propaganda and other publicity emanating from agencies directly or indirectly under their control within the state.

It is very evident that the chief responsibility for the delay in the selling of the North Dakota

bonds rests with North Dakota bankers. If they had accepted the declaration of the will of the people in the beginning there can be no question that all of the bonds would have been sold long ago. If they had only remained neutral the task of the administration would have been relatively easy. Altogether it is a situation without parallel in the financial history of this country.

But the most important result from this opposition of North Dakota bankers to the sale of the bonds of their own state is one that they have not counted upon. It is

that the state has been compelled to offer its bonds directly to investors—and is selling them. That is, the principal result of the opposition of the bankers is to open up new channels by which states and public corporations issuing securities may reach investors. It is now practically certain that all the North Dakota bonds will be favorably disposed of, under the present plan of the administration to sell directly to investors. What far-reaching results may follow, with regard to the marketing of public securities in the future, can only be conjectured.

Select Working Directors

Seth Pixton, Bank Commissioner of Utah, in discussing before the Utah Bankers Association the organization and conduct of a bank, stated some fundamental banking principles which should be of value to banks throughout the country. Mr. Pixton believes that a bank director should really direct. He explained that under the statutes of Utah, which hold that "every director of a corporation or joint stock association is deemed to possess such a knowledge of affairs of his corporation as to enable him to determine whether any act, proceeding

or omission of its directors is in violation of the law," bank directors present at any meeting in which violation of the law occurs are held to concur in such action unless they cause or request their dissent to be written into the minutes of the meeting. For directors to acquire such a knowledge of the affairs of the bank as the law requires it is necessary that they attend all meetings of the board, and Mr. Pixton urgently recommended that "only such directors as can and will attend directors' meetings be selected for these positions."

Fares for the Convention

Reduced summer excursion fares with liberal stop-over arrangements on both going and returning trips have been granted for the occasion of the Convention of the American Bankers Association to be held at Los Angeles, October 3-7. Tickets will be sold to September 30, with final return limit October 31, 1921. Delegates and members of their families or guests can secure full information as to the exact fares from their home railroad stations and such other particulars as they may desire, by consulting the ticket agents on any of the various lines.

Practical Analysis Methods for Large Banks

DALE GRAHAM

Mississippi Valley Trust Company, St. Louis

THE analysis department has become a necessity in the modern bank, not only as a danger signal to detect and prevent losses and as an indicator of inefficient operation, but as a positive guide in the extension of credit. At present, when the demand for money is great, it is more essential than ever before that a financial institution know the comparative value of its borrowing customers' business relations. Applications for credit must be handled with intelligent discrimination, and here it is that the analysis department is called upon to answer not simply the question, "Do we gain or lose on this account?" but, "If we gain, how much?"

The vastness of the subject precludes touching more than superficially on the analysis of departmental activities, and necessitates the omission of many small details which must be worked out in individual cases to conform to the peculiarities of each institution. No attempt will be made to deal with the subject of central files or other means of collecting and assimilating information concerning customers' relations or affiliations, though too much emphasis cannot be placed upon the importance of such records.

A satisfactory analysis is not dependent upon an elaborate cost accounting system; in fact, too close application to cost accounting principles often lessens, by the injection of an undue amount of theory, the dependability of the results. It should be sufficient to say that expenses should be divided and allocated intelligently. Each department not essentially a part of the banking department should keep its own books, pay its current expenses out of its current earnings, and turn over to the banking department at regular intervals its net profits. In addition to its direct expenses, each should bear a proportionate share of the general overhead. The salaries of the president and other senior officers should be paid in part by all departments according to the time the officers spend and the value of their services to each. Rent should be pro-rated according to space occupied and relative values. If the building is owned by the bank and no rent is paid, a fair basis for charges should be determined. Light, heat and power may be divided accord-

ing to floor space. The division of advertising and new business expenses must be worked out in each institution.

Analysis of Accounts

Figure 1 is the summary of analysis on which all figures are finally entered. In order that it may be unsoiled when turned over to the executives and the credit department all working schedules are omitted from this sheet. The lines on the reverse side are for special comment and the name of each officer is printed with a space opposite for his initial in case an analysis is referred to him for consideration. As a guide to the explanations which follow, each item of the summary is designated by a key letter:

Average Daily Book Balance (a),
Average Daily Total of
Uncollected Items (b),
Net Balance (c)

The averaging of book balances and float over a period of a month is probably the most practical method of determining net balances for analysis and interest purposes. In most cases the results are sufficiently accurate and equitable to both bank and customer. There is, however, one well-founded objection to the plan: that a customer may check heavily against his float during one part of the month and be actually borrowing money, then later build up his balance to overcome the deficit. In such a case, instead of being required to pay interest on his borrow-

ings at the current rate he is merely deprived of interest on the credit balance subsequently built up. The only remedy for this inconsistency lies in a complicated system of maturing float on each account daily and comparing the amount with the customer's balance as shown by the ledger. Such a method, of course, yields accurate results. It is desirable in the case of very large and active accounts, but the amount of additional labor required ordinarily renders it impractical.

Possibly the simplest manner of obtaining average daily book balances (a) is by the use of the "tear off" slips from the monthly statements of account. The name of each customer is typed at the top of the tear off and the posting machines are adjusted to print the date opposite each balance brought forward. At the close of the month the slips are torn off and comptometer operators total the balances for each day, dividing by the number of days in the month to arrive at the average daily balances.

The calculation of the average daily float (b) requires that the receiving tellers or the distributing department mark on the deposit slips opposite each item the name of the city or state in which it is payable. Local items may be designated by clearing house numbers or by the absence of any mark, and abbreviations may be used in all cases. These markings, aside from their utility for interest and analysis purposes, provide an excellent record. In the case of large deposits or when

it is deemed inadvisable to mark deposit slips, the items may be sorted according to time outstanding and the total of each group noted on the ticket. As soon as they are available from the bookkeeping department the deposit slips should be turned over to the comptometer operators, who should take off all items (a minimum amount for items to be considered might be established) and reduce the deductions to a one-day basis, i. e., local items should be added in the machine once (additional day for Sunday or holiday) and out-of-town items multiplied by the number of days they will be outstanding according to a prepared schedule.

NAME - GENERAL MANUFACTURING COMPANY		JULY, 1921.	
Average Daily Book Balance	(A)	\$	32,035.
Less Average Daily Total of Uncollected Items	(B)	\$	1,923.
Net Balance	(C)	\$	20,212.
Less 15% Reserve with Federal Reserve Bank	(D)	\$	3,227.56
Less 2% Reserve in Assets	(E)	\$	640.70
Less 1.04% with New York and Chicago Correspondents	(F)	\$	225.27
NET LOANABLE BALANCE	(G)	\$	25,118.
INCOME		EXPENSE	
Earnings on Balance @ 6.45%	(H)	Interest Paid on Balance	\$ 52.02 (M)
Exchange Charged	(I)	Exchange Absorbed	\$ 1.19 (N)
Interest Charged	(J)	Trust Items (150 @ .018)	\$ 2.70 (O)
Interest Rec'd on N. Y. and Chicago Balances	(K)	C. H. Items (2538 @ .01)	\$ 25.38 (P)
Gain on Exchange Sold	(L)	Checks (124 @ .085)	\$ 10.54 (Q)
		Deposits (28 @ .065)	\$ 1.82 (R)
		ADMINISTRATIVE OVERHEAD	\$.50 (S)
TOTAL INCOME	\$ 149.25	TOTAL EXPENSE	\$ 97.45
LOSS		GAIN	\$ 60.83

Figure 1. Summary of Analysis

The total deduction for each customer may be posted on the proper line in the proper column of his "Time Outstanding Card" (Fig. 2) and at the end of the month or interest period the column totaled and the sum divided by the number of days in the month. One of such cards is used for every customer who deposits items subject to deductions. They are 8x5 inches in size, cover a period of twelve months and are filed alphabetically in a cabinet to facilitate instant reference.

Of course it is not necessary to keep a record of float of customers whose accounts are not analyzed or who receive no interest on their balances. If desired, even the marking of deposit slips may be limited to those accounts for which the information is necessary.

The amount by which the average daily book balance exceeds the average daily total of uncollected items will be the net balance (c). In case the float exceeds the book balance the deficit should be entered in red.

Reserves with Federal Reserve

The amount of reserve carried with the Federal reserve bank (d) depends upon the classification of the city in which the analyzing bank is located. Institutions in central reserve cities are required to carry with the Federal reserve bank an amount equal to 13 per cent. of their demand deposits, those in reserve cities 10 per cent. and all others 7 per cent. In considering this subject from the standpoint of the large bank we may ignore the requirement for banks in other than reserve or central reserve cities.

A ruling of the Federal Reserve Board provides that balances "due from banks" may be deducted from balances "due to banks," and reserves carried only on the excess of the latter over the former. For example, if an institution has deposits of banks and bankers amounting to \$10,000,000 and carries \$4,000,000 with correspondents it need carry legal reserves on only \$6,000,000, the difference. As unrepresented checks on banks and bankers presented are considered "due from banks" it is obvious that an institution having bank deposits equal to or exceeding its daily float is not required

	EXCHANGE ADT	EXCHANGE CHARGED	INTEREST CHARGED	NUMBER OF TIME DEPOSITS	NUMBER OF SAVING HOUSE DEPOSITS	NUMBER CHECKS	NUMBER DEPOSITS	AMOUNT OF GUARANTEE
1								
2								

Figure 3. Daily Work Sheet

to carry legal reserves against the book balances representing the uncollected items and in analyzing its accounts should calculate legal reserves on the net balances of customers. On the other hand, if the analyzing bank has not deposits of banks and bankers equal to the amount of its average float it must figure its reserves on gross balances. This question will again be of importance in considering reserves carried with correspondents.

Reserves in Vaults

Cash in vaults (e) and in tellers' safes is not legal reserve for members of the Federal reserve system, but a certain amount must nevertheless be carried to meet the daily requirements of business. However, if the analyzing bank is located in a Federal reserve or branch city it need not carry cash in its vaults to take care of its customer banks, as the latter do practically no business over the counter, and cash for shipments can be obtained from the Federal reserve bank.

The next important question is whether time deposits are responsible for cash reserves to the same extent as demand deposits. The Federal Reserve Act has doubtless set a precedent by fixing the ratio of reserve requirements for time and demand deposits of central reserve city banks at 3 per cent. : 13 per cent. of reserve city banks at 3 per cent. : 10 per cent. Assuming that the foregoing ratios properly represent the relative liability of withdrawal of time and demand deposits, we may apply them to the calculation of cash reserves. The

following method may accordingly be used:

DIVIDE

- a. The total of cash reserves.

BY THE SUM OF

- b. All demand deposits except those of banks and bankers.
- c. 3/13 of time deposits (3/10 for reserve city banks).

The result will be the percentage of reserve carried against demand deposits; 3/13 of this will be that carried against time deposits.

The above figures, and others herein-after specified, may be obtained from the daily statement of financial condition. They may be averaged over any space of time desired; ordinarily a period of one month, figured twice yearly will be sufficient. These reserve percentages, when obtained, should be applied to the gross balances of the accounts analyzed.

Reserves with Correspondents

In Figure 1 the term "Reserves with New York and Chicago Correspondents" (f) is purely nominal, as the item includes balances carried by the bank using the form with correspondents in other cities as well.

Balances with banks should be carefully considered to determine whether they are true and necessary reserves and are essential for the conduct of daily business, or maintained principally or solely for collection facilities, or carried because of precedent or sentiment. Only those of the first-named class can properly be included in reserve deductions from the analyses of accounts. The cost of balances maintained for collection purposes should be charged to the accounts which occasion the need of such facilities. (See remarks concerning exchange absorbed.) Accounts carried for other reasons should be disregarded as far as account analysis is concerned. In the case of reciprocal accounts only the excess in the correspondent bank's favor should receive consideration.

The fact that the Federal reserve bank allows balances "due from banks" to be deducted from balances "due to banks" gives rise to a slight complication. For instance, when a bank having deposits of banks and bankers equal to or exceeding its balances with correspondents and its daily float takes a dollar from its loanable funds and places it on deposit with a correspondent it relieves itself of carrying thirteen cents (reserve city bank, ten cents) reserve with the

	JAN.	FEB.	MAR.	DATE	APR.	MAY	JUNE	RATE
	TAKE OFF	TAKE OFF	TAKE OFF		TAKE OFF	TAKE OFF	TAKE OFF	
1								
2								
3								
4								
5								
6								

Figure 2. Time Outstanding Card

192

EXCHANGE ABSORBED								
Date	"B" (30c)	"C" (\$1.00)	"D" (\$1.25)	"E" (\$1.50)	"F" (\$1.75)	"G" (\$2.00)	Misc.	Misc.
26								
27								
28								
29								
30								
31								
1								

Figure 4. Record of Exchange Absorbed, Bank Analysis

Federal reserve bank against a dollar of bank deposits and is out only eighty-seven (or ninety) cents net. The calculation of reserves with correspondents will therefore be as follows:

DIVIDE THE AMOUNT OF

- a. 87 per cent. (or 90 per cent.) of balances with correspondents, except those carried for collection or other sundry purposes.

BY THE TOTAL OF

- b. All demand deposits (including banks).
- c. 3/13 (or 3/10) of all time deposits.

The result will be the percentage of reserve carried against demand deposits and should be used in the analysis of both bank and commercial accounts; $3/13$ (or $3/10$) of the result will be the percentage of reserve carried against time deposits. Reserves with correspondents should also be figured on the customers' gross balances.

Loanable Balance or Overdraft

The net loanable or deficit balance (g) is that on which the profit or the loss is figured. In the case of a deficit balance the amount should be entered in red.

Earnings on Balance

The rate of return to be allowed customers (h) in the analysis of their accounts is probably the most puzzling problem of any. A bank may collect 6 or 7 per cent. on its loans, but in order to place out the funds with security to both principal and interest a staff of competent loaning officers must be maintained and a discount department of specialized clerks employed. After all other expenses have been paid the government (and sometimes the state) exacts income and excess profits taxes on the remainder.

There are three ways of disposing of this question, each varying in accuracy with the amount of detail involved:

1. By establishing an arbitrary rate, either the gross rate of return or a rate slightly lower than the gross rate to allow for expenses and taxes.
2. By using the gross rate of return less income and excess profits taxes, disregarding other expenses. Income and excess profits taxes are paid, of course, on net income. Since income from loans

represents gross earnings it is necessary to establish the relation of taxes to gross profits. This may be done with sufficient accuracy by (first) dividing the amount of taxes for the previous year by the amount of net earnings on which such taxes were paid, in order to arrive at the actual net rate (this is important because of the graduated tax rates), (second) by finding the amount paid on the net profits of the banking department by multiplying the amount of such profits for the same year by the net tax rate just determined and (third) dividing this amount by the gross earnings of the banking department to produce the percentage of taxes to gross profits.

Let us then assume the average loans of the analyzing bank for the month to be \$20,000,000, the gross rate of interest return 6½ per cent. and the percentage of taxes to gross earnings 3 per cent. The operation of determining the net loaning rate will be as follows:

Average loans for month.....	\$20,000,000
Would earn at 6½ per cent....	108,333
Less taxes, 3 per cent.....	3,250
	<hr/>
	\$105,083

Rate of return per month ($\$105,083 \div \$20,000,000$) .....	.00525
Rate of return per annum.....	6.3 per cent.

3. By including in the calculation taxes and, as far as possible, other expenses. This can be done only by banks which pro-rate rent, light, fuel, salaries, etc., to various departments and are in a position to allocate all expenses to departmental units. As previously stated, the theories and details

of such a system are too extensive for discussion in this article. It is sufficient to say that in addition to income and excess profits taxes as figured above, rent, light, heat, janitor services, stationery and supplies, postage, employees' salaries and possibly loaning officers' salaries should be charged.

The justification of including loaning officers' salaries is somewhat questionable. There is no doubt that the depositors, considered collectively, are responsible for the expense of loaning officers' salaries. Such expenses, however, cannot be traced directly to one account. They do not fluctuate in proportion to the rise and fall of deposits to the same degree as do those of the clerical departments. A few additional accounts often necessitate the employment of another clerk, but a few hundred thousand dollar increase in deposits seldom results in the need of additional loaning officers or in increased loaning costs. For this reason it is probably fairer to the customers to omit this item and analyze an account from the standpoint of how much it contributes towards paying such expenses as well as to net profits—in other words, to determine how much better off the bank is with the account than without it.

If the analyzing institution makes a practice of rediscounting with the Federal reserve bank at rates below the average gross loaning rate it is proper to include the profits of such transactions in the calculation of earnings on loans. Thus, in the above example, if the bank had \$2,000,000 average rediscounts on which it was paying 6 per cent. and collecting $6\frac{1}{2}$ per cent. it might add \$833.33 to its gross income. There is no assurance, of course, that all rediscounted notes bear interest at a rate equal to the average gross rate, but this method may be relied upon to produce fairly accurate results.

Exchange Charged

The term "exchange charged" (i) may apply either to charges made by the bank for drafts on other cities sold to its customers or to advance charges made on items deposited for collection and credit. If it is the practice to make both of such charges it is more desirable to include the former in "gain on exchange sold" (e). When charges are made on checks deposited they are either collected in cash from the customer, deducted from his deposit or billed to

OUTSTANDING ITEMS								197
	1	2	3	4	5	6	7	9
26								
27								

Figure 5. Record of Float for Bank Analysis

him at the end of the month. In any case the analysis department should arrange to obtain the amount, which should be posted in the "exchange charged" column of the work sheet, Figure 3.

It is important to note that when advance charges fully cover interest for the time the items are expected to be outstanding no float deductions should be made and no credit should be given in the analysis for amount collected. The transactions offset each other and are similar to loans made through the discount department. If the charges do not fully cover interest on the amount of the items for the time outstanding, however, full deductions should be made and full credit be given for the amount collected.

Interest Charged

This item (j) is used when a customer is charged for interest on an overdraft. When such charges are made there should not be a further deduction from his average daily balance.

Reserves with Correspondents

The customer is here (k) given credit for interest which the amount deducted from his balance for reserve with correspondents would earn at the average rate received on such balances (2 per cent. to 3 per cent.).

Gain on Exchange Sold

When a customer purchases a draft on a distant city and pays for it in cash or with a check on his account, the draft is not presented immediately and the selling bank receives interest (l) from the correspondent on which it is drawn for the number of days elapsing from the date of sale to the date of presentment. In addition a charge is often made by the issuing bank at the time the draft is purchased. The reverse side of Figure 3 is ruled to accommodate memoranda of exchange sold and charges made, so credit may be given the customer in the analysis for interest at the rate received from the correspondent on which the draft is drawn, plus whatever charge may have been made to him direct.

Interest Paid on Balance

The amount of interest paid (m) the customer is obtainable from the bookkeeping department.

NAME <u>EXCHANGE NATIONAL BANK</u>		CHICAGO, ILL.		JUNE 26 - JULY 25, 1921.	
Our Balance With them (Net)	(A)			\$ 197,550.	
Their Balance with us (Gross)	(B)	\$ 24,075.			
Less Float	(C)	\$ 9,092.		\$ 15,922.	
Difference in their favor	(D)			\$ 180,558.	
Low 15% Reserve with Federal Reserve Bank	(E)	\$ 23,511.			
Reserve with Correspondents carried against their balance with us	(F)	\$ 522.			
NET BALANCE (their favor)	(G)			\$ 197,049.	
INCOME			EXPENSE		
Earnings on Balance @ .5%	(H)	\$ 987.75	Interest lost (Balance with them at net rate) 4.45%	(I)	\$ 840.55
Exchange absorbed for us			Interest paid them	(J)	\$ 31.05
\$ 120,000. @ \$ 1.00	(K)	\$ 120.00	Exchange paid them	(L)	\$
Exchange charged them	(M)	\$ 2.25	Exchange absorbed by us	(N)	\$ 16.12
Interest charged them		\$	Trans. Items (.24 @ .015)	(O)	\$.36
Interest Received on Reserve with Correspondents	(P)	\$.28	C. H. Items (.27 @ .01)	(Q)	\$.27
Interest paid us	(R)	\$ 370.27	Checks (.17 @ .032)	(S)	\$.56
Interest saved (Time saved in transit) (1200 x .007)	(T)	\$ 8.40	Deposits (.34 @ .02)	(U)	\$ 1.08
TOTAL INCOME		\$ 515.73	ADMINISTRATIVE OVERHEAD	(V)	\$.50
Cost of Maintaining Relationship		\$ 282.51	TOTAL EXPENSE		\$ 822.24
			GAIN		\$

Figure 6. Summary, Reciprocal Bank Analysis

Exchange Absorbed

By "exchange" (n) in this instance is meant collection charges paid by the analyzing bank on items deposited by customers. Nearly every bank retains, by means of numbers and abbreviations on the duplicates of letters sent out to Federal reserve banks, its correspondents and direct for collection and remittance a dependable record of the indorsers of all items. From these records the collection costs absorbed for various customers may be readily obtained. Comptometer operators should take from the duplicate letters received from the transit department the exchange paid for each customer whose account is being analyzed. As there is no cost in connection with items handled through the Federal Reserve District clearing system letters sent to reserve banks may be disregarded, as may also those sent to correspondent banks which credit at par. The cost of balances carried principally for collection facilities should, however, be assessed against the depositors of the items for which the facilities are necessary. The cost may be determined by dividing the interest lost by reason of each balance being carried by the number of thousands of dollars of items sent through such channel. It will often be found that collection arrangements of this kind are quite expensive. In such cases it is well to use an arbitrary rate in the analysis. In order to get the actual amount of charges on sundry collection letters it is necessary to wait until remittances are received.

Correspondents sometimes make a flat charge for collecting certain points. Under such circumstances the amount must be given consideration and if, in addition, an otherwise unnecessary balance is carried the cost per thousand determined as outlined above added.

Activity Expenses

The cost of operating the clearing house, transit, tellers and bookkeeping departments (o, p, q, r) is chargeable to the customers in their analyses at so much per item. Many banks apply a uniform per item charge to all classes, including deposits. They recognize that the cost of handling clearing house checks is considerably less than that of writing, listing and mailing out the same number of transit items, and much less than that of posting checks and deposits to individual ledgers; that the cost of a deposit, the majority of which are taken in over the counter by high salaried tellers, is greater

than that of a check, many of which are paid through the clearing house. They further recognize that this variance in cost figures would make an appreciable difference in the analysis of a large and active account, but fix an arbitrary per item charge which is low enough to give the customers the benefit of inaccuracies.

Other institutions go into greater detail. The item costs are obtained by dividing the expenses of respective departments by the number of items handled by each. Ordinarily a period of one month is sufficient, but a longer space of time makes possible slightly more accurate results. Among the expenses which should be given consideration are officers' salaries (supervision), employees' salaries, postage, rent (pro-rated), stationery and supplies (from requisitions to stock room) and light, heat and janitor services (pro-rated).

As stated, it is unfair to attach as much expense to the handling of a customer's checks as to his deposits. One bank worked out the following plan: All general expenses of the tellers and bookkeeping departments including everything except employees' salaries, were added, and the amount divided by the number of checks and deposits handled. This produced the "general" per item cost, applicable to both checks and deposits. It then estimated that three-fourths of the tellers' time was spent handling deposits and one-fourth handling checks, while two-thirds of the bookkeepers' time was devoted to checks and one-third to deposits. Accordingly, three-fourths of the tellers' and one-third of the bookkeepers' salaries were added and the amount divided by the number of deposits; then one-fourth of the tellers' and two-thirds of the bookkeepers' salaries were divided by the number of checks. The result in each case was the per item cost for salaries

for the respective classes of items. These, with the "general" per item costs added, were used in the analyses.

Of course if the various items are not designated on the deposit slips as such, it will be impossible to distinguish between clearing and transit items, and checks on the analyzing bank (the latter should be charged to the drawer rather than to the depositor). Banks which do not desire to mark their slips may apply a uniform item charge applicable to all classes.

The deposit slips of the previous day should be obtained daily by the comptometer operators, and the number of transit and clearing house items, checks and deposits, and the amount of exchange charged posted in the proper columns of a work sheet such as illustrated in Figure 3.

Administrative Overhead

Administrative overhead(s) is for the benefit of all customers, but cannot be charged to any one analysis according to the size or activity of the account. Such overhead includes rent on lobby, salaries of guides and information clerks, stationery for public use, cost of operating accommodation departments, etc. These expenses might be divided by the total number of customers, and each charged in the analysis for his share, but a somewhat lower arbitrary charge is usually more satisfactory for the reason that were any one customer to withdraw his account the expenses would go on just the same and would have to be borne by the customers remaining. Ordinarily a fifty-cent charge is sufficient; any account large enough to analyze occasions at least fifty cents overhead expense.

Float and Exchange Costs

Deposits of customer banks are usually received through the mail. In most institutions the letters first pass through the hands of analysis clerks, who examine the items and make necessary memoranda before they are sent to the mail department to be worked up and balanced. In others the mail department is depended upon to sort and total the items according to time outstanding as a part of the balancing operation. As it is highly important that the letters be balanced and the checks routed to the bookkeeping, transit and clearing house departments (especially the latter) with the least possible delay, the records thus hurriedly obtained are often necessarily inaccurate.

One bank has found the following method quite satisfactory: An analysis clerk glances through the letters as they are received to insure that no improper items are listed, and passes them to the mail department, which balances them and routes the items without further delay.

The letters almost always indicate (usually by A. B. A. number) the place of payment of each item. From the description of the checks as given by the letters, the analysis clerk, by the aid of a key system, is able to make accurate

markings. Typewritten lists are provided which indicate the time deductions and exchange costs for various points. "A" represents par; "B," 50c per thousand; "C," \$1.00; "D," \$1.25; "E," \$1.50; "F," \$1.75; "G," \$2. Numerals denote the number of days required for collection. Thus, "A3" opposite the name of a city on the list implies that it is a par point and collections require three days, while "E6" means an item on such a place will cost \$1.50 per thousand and require six days.

Since the Federal reserve collection system embraces nearly the entire country one key letter and number often applies to all cities in a state. In other cases each must be listed, except that those in the largest group falling under one class may be denoted by their absence from the list, e.g. (heading at top of sheet) "All points 'C5' except those listed as otherwise below."

After the analysis clerk has made the proper markings comptometer operators may total the A, B, C, etc., and the 1, 2, 3, etc., items and post the totals in the proper columns of the work sheets for "Exchange Absorbed" (Fig. 4) and "Outstanding Items" (Fig. 5). At the end of the month a recapitulation is made in the same manner as for commercial accounts.

Correspondents—Reciprocal

The principles outlined in the foregoing are followed in the analysis of accounts with correspondents except that the balance, however, instead of being loanable, is often in favor of the correspondent. In such case the analysis will determine the cost of the relationship.

Figure 6 is a hypothetical analysis summary of a reciprocal account. The same form is used when the correspondent carries no balance with the analyzing bank, the items b, c and f being omitted. As the illustration is practically self-explanatory, comment will be confined to a few technical phases.

Line E.—If the analyzing bank is in a position to make deductions of its balances "due from banks" from its balances "due to, banks" in computing its reserves with the Federal reserve bank, it should make the deduction shown (or a deduction of 10 per cent. or 7 per cent., as the case may be) whether the balance is in favor of the analyzing bank or not. If the difference is in favor of the analyzing bank, the reserve must of course be deducted; if in favor of the correspondent the amount constitutes balances "due from banks," and the analyzing bank is relieved of carrying reserves with the Federal reserve bank against an equal amount of deposits of banks and bankers; (see comment in connection with reserves with correspondents).

Line F.—This is a reserve deduction from the correspondent's balance, and corresponds to Line F of Figure 1. It is placed out of order so that line D may show a comparison of the realized

balances of the respective institutions. If the difference is in favor of the analyzing bank, the reserve should be deducted along with reserves with the Federal reserve bank (except that reserves with correspondents should be figured on gross balances) to determine the net loanable balance. If the difference is in favor of the correspondent, it should be added, as a deduction from the correspondent's balance increases the difference in its favor.

Line G.—If the balance is in the analyzing bank's favor the word "loanable" should be inserted instead of "their favor."

Line I.—If the correspondent handles transit items on which the analyzing bank would otherwise be compelled to pay collection charges the amount should be credited in the analysis. If the correspondent makes a charge for such services the amount should be inserted in Line P, and credit given on Line I for what the cost would be by the direct collection and remittance method.

Line M.—When an account is maintained for collection facilities it is desirable to know how much superior the arrangement is to the direct collection and remittance method. It is therefore essential to take into account the time saved by having the proceeds of letters credited instead of remitted by draft. If it is customary to receive in payment of direct collections drafts on cities other than that in which the analyzing bank is located, the additional days saved should also be given consideration.

Line N.—If the balance is in the analyzing bank's favor Line H should be used. The net rate of return (as previously determined) should be used in either case.

Non-member Banks

The principal variation of the above system when applied to banks not members of the Federal reserve system is that float need not be deducted from gross balances. The reason for this is that state banking laws ordinarily require a certain percentage of reserve, but allow to be included in the calculation balances with correspondent banks whether such balances are realized or not. Indeed, any cash letters addressed to correspondent banks become reserve as soon as they are placed in the mail and charged on the books of the forwarding institution. It therefore follows that checks on out-of-town banks, unless in excessive amounts, are equivalent to cash for analysis purposes as soon as they are deposited and mailed by the receiving bank for credit, as they take the place of cash or realized bank balances which would otherwise have to be held as reserve. Deductions should be made, however, for local items deposited too late for clearings. Other slight variations should also be made.—(Mr. Graham would be glad to answer inquiries and receive criticism from any who are interested in the subject.)

Balancing Railroad and Government Accounts

By ROBERT S. BINKERD

Assistant to the Chairman of the Railway Executives

ASIDE from its bearing upon the fortunes of the railroad companies themselves, bankers and business men will be interested in the government's proposed plans for winding up the financial relations between itself and the railroad companies. A relatively prompt clearing up of this situation would enable the railways to pay their bills, to release frozen credits and to begin to take up the deferred maintenance of the war period.

This activity would ramify to a number of important lines of business and might have a tonic effect in accelerating the rate at which more normal conditions may be established.

Refunding

The President stated in his message to Congress on July 26:

The contract covering operation provided that the railways should be returned to their owners in as good condition as when taken over by the government, and the Transportation Act, recognizing that betterments and additions belong to capital account, provided that such sums as the railway companies owed the government for betterments and new equipment, added during the period of government operation, might be funded. There has been, at no time, any question about the justice of funding such indebtedness to the government. Indeed, it has been in progress to a measurable degree ever since the return of the railroads to their owners. It has been limited, however, to such cases as those in which final settlements with the railway administration have been effected. The process is admittedly too slow to meet the difficult situation which the owners of the railroads have been facing, and I believe it essential to restore railway activities and essential to the country's good fortune to hasten both funding and settlement.

By the terms of Section 6 of the Federal Control Act the President was authorized to incur on behalf of the carriers the indebtedness for additions and betterments believed by him to be necessary. As Director General Davis himself stated in his memorandum which accompanied the President's message, "To create an indebtedness to be paid by others without limit is, it must be admitted, a most unusual power and

was justified only by the exigencies of war." Under this power there was expended by the United States Railroad Administration and charged to the carriers for capital improvements approximately \$1,144,000,000. Of this sum approximately \$381,000,000 was spent in the purchase of 100,000 freight cars and 1,930 locomotives. This expenditure for equipment has already been funded through a series of some eighty-six equipment trust agreements between the various carriers and the Director General.

There remains, therefore, the sum of approximately \$763,000,000 for additions and betterments other than for equipment. Of this amount about \$60,000,000 has been funded and about \$60,000,000 has been paid in connection with final settlements already effected with some railroads. Various other railroads which have not yet effected final settlements have paid or given their notes for approximately \$110,000,000 worth of capital improvements. This leaves approximately \$533,000,000 of capital expenditures which have neither been paid for nor funded. To take this amount out of what should have been the current revenue of the roads during the period of Federal control could only result in seriously depleting their working capital. And conversely, the proposal to fund this amount would, by the same token, strengthen the position of the railroads by increasing their working capital and enabling them to make plans which otherwise would have to be held in abeyance.

Non-Controverted Claims

On balances due on the standard return of various road, on depreciation and retirement allowances and on other non-controverted claims, it is believed that the United States Railroad Administration owes the railroads approximately \$400,000,000. A substantial payment on account of these non-controverted items would enable the roads to liquidate a considerable part of their outstanding current bills. This

would effect a subsequent release of frozen credit and an increase in the ability of these railroad creditors to engage in productive enterprise.

Controverted Claims

The main subject of controversy here, and a matter of large misunderstanding by the general public, is the question of undermaintenance.

The obligation of the government was to return the railroads to their owners in as good condition as when they were taken over. To carry out this obligation would apparently require at least that the same degree of physical maintenance should have been placed upon the roadway and structures and upon the cars and locomotives of the companies as they themselves placed there during the test period.

During this period the railroads that were taken under Federal control placed annually on their lines an average of something over 90,000,000 ties, 2,000,000 tons of rails and 17,000,000 cubic yards of ballast. For the twenty-six months of Federal control the railroads estimate that the government failed to make the same replacement of ties by over 30,000,000; failed to make the same replacement of rails by over 500,000 tons, and failed to make the same replacement of ballast by over 2,000,000 cubic yards. The cost of this material would be over \$100,000,000 and the cost of laying it in place would be over \$200,000,000.

On equipment 17.5 per cent. of the companies' locomotives and 5.2 per cent. of their cars were in bad order when they were turned over to the government. When they were returned to their owners 26.9 per cent. of the locomotives and 6.5 per cent. of the cars were in bad order. This would seem to indicate an undermaintenance amounting to some 7,500 locomotives and some 50,000 freight cars. It is impossible to speak with exactness of the condition of passenger equipment, and it is also impossible to make an aggregate guess

as to the cumulative deferred maintenance incident to inadequate repairs during the war period. Owing to the exigencies of traffic at that time and to the abnormally small percentage of home cars on home roads, both cars and locomotives which required thorough overhauling were frequently given but enough running repairs to keep them in motion.

The above, however, will indicate in a general way the basis of claims of the companies for under-maintenance.

Method of Financing

On termination of Federal control the \$763,000,000 advanced for capital expenditures other than

equipment was carried on the books of the United States Railroad Administration as an offset against the government's obligations to the companies. The funding of the greater part of these expenditures would leave the Railroad Administration without sufficient funds or credits to meet its obligations to the railroads for balances due on the standard return, for depreciation and retirement allowances, for under-maintenance and other claims.

The plan proposed by the President to Congress avoids the necessity for an appropriation out of the United States Treasury by the simple expedient of authorizing the War Finance Corporation to make loans to the Director General, accepting as collateral railway securi-

ties which the Director General now has or which he may acquire in the course of funding.

If the War Finance Corporation has not sufficient funds to advance to the Director General all the money which he will require to borrow, it could raise money by the sale of its bonds to the public. It could later liquidate all of its loans to the Director General by the sale of the railway securities held as collateral at some time in the future when such sale could be made advantageously. This plan would therefore enable the whole settlement to be financed without recourse to the Treasury of the United States and would permit this financing to be liquidated in the investment market at a future date.

Basis of Confidence for European Credits

F. O. WATTS, president of the First National Bank of St. Louis, on his return from the London conference of the International Chamber of Commerce, declared he had found, upon careful and wide investigation, adequate guarantees for confident dealings with the countries of Europe.

"As one comes into contact with the financial and business men of Europe," he said, "he is impressed with their desire to cooperate in the enormous task of restoring the world to a condition of normal peace and industry. They are courageously attacking and solving their problems and facing with determination and confidence the future. This attitude, in view of what these people have suffered and lost, ought to be reassuring to American business men, since it affords not

only a basis of confidence for the extension of credit, but also for that increased trade and production in Europe which will revive the market for American products.

"The people are expecting large assistance from the United States in this work of restoring industry, but there is no disposition to place this assistance and cooperation on any other than a business basis and one of mutual obligation to civilization and human progress.

"The situation in most European countries is growing better and in some countries marked progress is being made. England, with her world trade organization, is again rapidly resuming the normal processes of production and exchange. The coal strike is settled and progress is being made in finding a solution for

her other economic and political problems. France, after her heroic struggle and staggering losses, is returning to her former industry and that marvelous thrift which has, in the past, amazed the world. In the devastated regions wonderful progress is being made. The people have returned to their destroyed villages, their trench-covered and shelled fields. They have or are gathering up the scattered stones of their homes and outbuildings, or are making new ones to rebuild. They have or are clearing their fields of shells and filling in trenches and the golden wheat is now waving over the battlefields. Thus the war has not destroyed the wealth-creating power of England, France and other European nations, for it lies in their peoples, their fields, forests and factories."

Germany's Industrial Advantage

SENATOR BORAH sees in the inability of Germany to maintain a great army and navy a distinct industrial advantage. Men and money that under the old regime would be used for armament now will be available for more productive work.

"During this quarter of a century and upward," he says, "Ger-

many will be thoroughly schooled in economical productive methods, people will be trained for competition in the economic world as no other people have ever been trained. I venture to say that unless disarmament takes place and we are permitted to save these billions and turn our energies into agricultural and industrial lines,

Germany at the end of fifty years will be the most powerful economic unit in the world.

"What applies to the United States applies likewise to England and France. If France continues to support 800,000 men as an army, nothing can save her from the economic dominance of Germany."



OPINIONS OF THE GENERAL COUNSEL



THOMAS B. PATON
General Counsel

Revocation of Accommodation Indorsement Before Negotiation

(1) *Where before discount of a note for the maker the bank is notified by an accommodation indorser not to take the note, it is bound by such notice and cannot recover from the indorser on the note subsequently discounted, for, before the note is negotiated, it is the right of an accommodation indorser to withdraw his indorsement and rescind his engagement.* (2) *Where an accommodation indorser notifies the bank before discount of note for the maker that his indorsement is conditional on another specified person indorsing for accommodation and such person does not indorse, the bank cannot hold the indorser where the specified person does not indorse, although another person also indorses.*

From West Virginia—(1) A indorses a note for B but before the note is presented he notifies the bank not to take the note. Can he be held liable in case the bank accepts the note? (2) A indorses a note for B as a joint indorser and notifies the bank not to take it unless C indorses. C refuses to indorse but D indorses. What is A's liability?

(1) Until a note is negotiated an accommodation indorser can withdraw his indorsement and rescind his engagement. *Second National Bank v. Howe*, 40 Minn. 390; *May v. Boisseau*, 8 Leigh, 164; *Patterson v. Bank*, 26 Ore. 509. In the case first stated, therefore, notice by the accommodation indorser to the bank at which the maker proposed to discount the note, not to take the instrument, would relieve the indorser in case the bank discounted the note.

(2) Notice by the accommodation indorser to the bank before discount of a note for the maker that his indorsement is conditional on one C joining as indorser is binding on the bank and the bank cannot recover against such accommodation indorser where C does not indorse, although D indorses.

Certificate of Deposit of National Bank Payable at Death

A national bank in South Dakota issued a certificate of deposit payable at death of one D, with interest at 5 per cent. semi-annually. Payment of the certificate has been refused by the bank on the ground that it is not due until the death of D and the holder of the certificate questions the power of a national bank to issue such a certificate. Opinion—While unusual, a certificate of deposit issued by a national bank payable at the death of a certain person would seem to be legal and within the power of the bank.

From Iowa—A national bank in South Dakota issued a certificate of deposit in the sum of \$5,750 payable with interest at 5 per cent. semi-annually to the order of C. and E. R. at the death of Mrs. J. J. D. The two Rs. and Mrs. J. J. D., their mother have presented this certificate to the bank for payment, which has been refused by the bank on the grounds that the certificate was not due until the death of Mrs. J. J. D. The certificate on the face reads, "Payable at the death of Mrs. J. J. D." We were not aware of the fact that a national bank can issue a time obligation at the death of another and the opinion among our several officers seems to differ on the rights of the party at interest and we would appreciate your opinion on the subject.

A national bank has power to issue a time certificate of deposit and there is no statutory limit of the length of time in which it must be payable. While unusual, a certificate of deposit issued by a national bank payable at death of a certain person, would seem to be legal and within the power of the bank. It might be contended that as the charter of a national bank is only for twenty years, the bank has no power to issue an obligation which might be payable beyond the statutory period of its existence; but there is no statutory prohibition of issuing long time obligations of this character and as there is always the privilege of renewal of charter, such a contention would probably not be tenable; otherwise,

a six months' certificate issued three months before expiration of charter, would be open to the same objection.

The Negotiable Instruments Act expressly recognizes the validity and negotiability of instruments payable at or after death in the provision that "an instrument is payable at a determinable future time within the meaning of this Act which is expressed to be payable * * * on or at a fixed period after the occurrence of a specified event, which is certain to happen, though the time of happening be uncertain."

If the above view is correct, the certificate of deposit in question, is not yet due and the issuing bank is within its rights in refusing payment.

Refusal of Payment of Unstamped "Future Payable" Check

A bank on which a check is drawn, made payable after its date, upon which revenue stamp is not attached as required by law, is justified in refusing to pay same and incurs no liability to the holder because before the check is returned properly stamped, the drawer has withdrawn his funds.

From Pennsylvania—We shall greatly appreciate your opinion as to the bank's liability in refusing payment and returning a check unpaid on account of revenue stamps not being attached, as required by law, where the check in question is dated June 19, and marked "Payable June 29," presented to us on or after the payable date. The question that arises with us, is whether we could be held in any way for returning such an item unpaid, in case the amount on deposit was sufficient to cover the check when first presented and in case there should not be sufficient funds to cover the check when later returned for payment with stamps attached, etc.

While a post-dated check is not subject to stamp tax unless expressly payable after its date (Art. 63) the check in question comes within the exception and required stamp. Therefore, when it was pre-

sented to you without stamp on June 29, it was an incomplete instrument not regular on its face and you were justified in refusing to pay same. The fact that before the check was again presented properly stamped, the drawer withdrew his funds, does not involve your bank in liability in any way to the holder of the check. Under the Negotiable Instruments Act, a bank is not liable to the holder of a check in any event unless or until it accepts or certifies the check.

Payment and Collection by Insolvent Bank

Where a check on a North Carolina bank is deposited in another North Carolina bank and forwarded to a correspondent at Raleigh which forwards direct to the drawee and the drawee's remittance draft is dishonored, such method of collection is proper under North Carolina law and the loss falls on the depositor of the check.

From North Carolina—On May 5 a depositor of this bank deposited a check for \$43.75 on the P Bank of T, N. C., which we cleared through our correspondent, the M. National Bank of R.

Today we are in receipt of a letter from the M National Bank of R., dated July 12, as follows:

"In your cash letter of May 5, aggregating \$2,286.61, was an item on T, N. C., for \$43.75. T remitted us, sending us check on Durham, but before the check was paid the P Bank of T closed. We have, therefore, charged your account with this \$43.75, and will ask that you credit same promptly, and in the meantime you can file your claim with the receiver of the P Bank of T, N. C."

As our depositor has raised the question of responsibility, would thank you to advise.

Prior to 1919, your R correspondent would be responsible for sending the item direct to the payor as the courts quite universally hold such method of forwarding negligent. But by Chap. 169, laws of North Carolina, 1919, banks are authorized to forward checks direct to the payor. This statute has been passed in a considerable number of states for the purpose of legalizing the custom which has sprung up of forwarding direct.

Under the present law of North Carolina, therefore, your correspondent had the right to forward the item direct to the payor and that

bank having failed, without remitting, your correspondent has the right to charge back the amount to your account and your bank can charge the amount to your customer because under the law of North Carolina, a collecting bank is not liable for the default of a correspondent if duly selected.

Right of Holder in Due Course of Trade Acceptance

An innocent purchaser for value before maturity of a trade acceptance can hold the acceptor thereon notwithstanding failure of consideration by the drawer.

From Missouri—The following is a copy of a trade acceptance which local banks have purchased:

Sedalia, Mo., May 1, 1921.

Four months after date, pay to the order of the Consolidated Oil Company, One Hundred Dollars, with interest at 8 per cent. from date. The obligation of the drawee arises out of the purchase of petroleum products from the Consolidated Oil Co.

CONSOLIDATED OIL CO.

By John Doe.

To JOHN SMITH,

Sedalia, Mo.

(On back appears following):

"Payment guaranteed. Protest, demand and notice of protest waived.

CONSOLIDATED OIL CO.

By John Doe."

Will you be kind enough to advise us about payment of this acceptance under these circumstances: The Oil Co. is building a service station in this city, not completed and no goods being delivered or sold, as yet. Should it fail before station is completed, and the drawee, John Smith, then refuses to pay acceptance, and the oil company cannot pay, is John Smith bound to pay the acceptance, and can we take action against him.

John Smith is liable to an innocent purchaser for value before maturity of his trade acceptance notwithstanding any failure of consideration by the drawer of the acceptance. The acceptance being a negotiable instrument, a holder in due course would acquire same free from any defense of Smith against the Consolidated Oil Co.

Set-Off of Dividends Against Overdue Note

A National bank has the right to apply dividends due a stock-

holder on his overdue note to the bank.

From Colorado—As a national bank, have we a right to apply dividends due a stockholder on his overdue note to the bank?

Dividends declared by a national bank are money in its hands due by it to its stockholder and the bank has the right to set off his overdue note against such dividends or in other words, apply the dividends towards payment of the note.

Form of Stop Payment Agreement

Effectiveness of form of agreement by customer relieving bank from liability for payment contrary to stop order where made through inadvertence or accident.

From Connecticut—We desire to obtain some information regarding the liability upon stopping payment of checks which have been lost or stolen. We are at the present time using the enclosed form, which is the standard form we believe, and used in various banks throughout the country. (Form enclosed after notifying bank to stop payment, reads: "I ask this as an act of courtesy only, and hereby release you from any liability in case of payment or non-payment.") In this form you will note that we consider the act as a courtesy, and do not assume any liability in case of payment or non-payment. One of our customers raises a question upon the signing of this form, and states that we should assume liability in case of payment. He is one of our very satisfactory customers, and absolutely refuses to sign the card in its present form. We would appreciate it very much if you would kindly advise us if this form is the standard form used by banks, and if we are correct in assuming no liability in this connection.

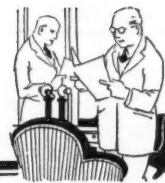
Various forms of stop-payment notices are used by banks and I do not think it can be said that there is any one standard form. In the Book of Forms for National and State Banks, published by the American Bankers Association in 1913, four forms are provided, only one of which contains an agreement relieving the bank from responsibility if it pays a stopped check; that agreement is worded thus:

"And it is further agreed not to hold you liable on account of payment contrary to this request if same occur through inadvertence or accident only."

A case was recently decided by the Supreme Court of Massachusetts in which a similar form of the Tremont Trust Company of Boston was held to protect the bank.



RECENT DECISIONS



THOMAS B. PATON, Jr.
Assistant General Counsel

TRUST COMPANIES—APPOINTMENT AS TRUSTEE IN PREFERENCE TO INDIVIDUAL TRUSTEE—NEW YORK

The person entitled to the income of a trust estate petitioned that the Guaranty Trust Company of New York be appointed the trustee in place of a deceased trustee. Although the remaindermen joined in the petition, the lower court appointed one Morrel trustee. On appeal it was held that this was improper, notwithstanding no personal objection was made to the trustee appointed. The persons interested in the estate desired a corporate trustee to obtain the corporate responsibility, to avoid the necessity of new appointees, and the attendant successive accountings, and to avoid premiums on bonds. They also had "special reasons for desiring the appointment of the Guaranty Trust Company with which they have sustained continuing relations of trust and confidence."

"An important consideration for the selection of a corporate agent is the saving to the trust estate of the annual premium for the bond which an individual agent would be required to give.

"While the power is resident in the court alone to appoint an agent to carry out the unexecuted trust, and while the parties in interest cannot upon consent oust the court of its power of selection by compelling it to appoint anyone upon whom they may agree, the discretion of the court in appointing an agent should be exercised with due regard to the reasonable wishes of those entitled to the income and ultimate ownership of the principal of the trust fund. . . . In this proceeding the reason assigned for asking the court to select a corporate agent seems to be sufficient to warrant the granting of the request. . . . In the exercise of sound discretion a corporate agent to carry out the unexecuted trust should have been appointed by the court, though not necessarily the trust company suggested, if the court deemed it unsuitable and saw fit to name another which it thought would more properly administer the trust."

The appellate court remitted the proceedings to the lower court "for the appointment of a suitable trust company as agent to administer the unexecuted trust." In re Gunther, 188 N. Y. Suppl. (App. Div.) 615.

LIABILITY OF "NONACTIVE" DIRECTORS FOR LOSSES—ILLINOIS

A bill in equity by the receiver of the LaSalle Street Trust & Savings Bank against the directors to recover losses due to their negligence charged that certain of the directors "gave no

AN important consideration for the appointment as trustee of a trust company in preference to an individual trustee is the saving to the trust estate of the annual premium for the bond which an individual agent would be required to give.

"NON-ACTIVE" directors of a bank, knowing of the incompetence and dishonesty of the active heads, are liable for losses due to their failure to exercise supervision and make proper inquiries.

THE Supreme Court of Ohio said that "by reason of the careful methods voluntarily followed by banking institutions, the public have learned to place their confidence in banks AND JUSTLY SO * * * that the use of the word 'bank' or 'banker' is a valuable adjunct to any business, and its use should be restricted to institutions subject to the banking code."

WHERE a bank makes an excessive loan in violation of the statute, the great weight of authority supports the doctrine that the courts will not refuse to enforce the bank's contract or disallow damages for breach of contract.

WHERE it is the custom of a bank to receive deposits after banking hours to accommodate belated customers, the bank cannot escape liability for a deposit so received on account of the time of the deposit.

IN a Massachusetts case it was held that money deposited for transmission abroad should be refunded at the rate of exchange prevailing on date of refund.

A PRINTED notice sent by mail by a bank which received a check drawn on it by mail from depositor, crediting depositor with the amount cannot be revoked because of insufficient funds of drawer.

THE acceptance of a check "in full" for a disputed amount precludes the creditor from suing for any balance.

supervision and made no inquiry whatever, notwithstanding they were directors of the bank and had knowledge of the incompetence and dishonesty of Lorimer and Munday (the active heads of the bank) and their fraudulent misuse of the funds of the bank." Such a charge is sufficient as against a demurrer. If directors were "mere figureheads few persons would be willing to deposit money with or take stock in such corporations. It is a matter of common knowledge that men of strong financial ability are asked to serve as directors of banks because of the feeling of security which the public will have from their connection with the corporation. That feeling of confidence arises out of the fact that the public, when depositing money in a savings bank, or when taking stock in the corporation and divesting themselves of control of their property, expect, and have a right to expect, that the men selected as directors of a bank to control the property will exercise ordinary care and prudence, and when one takes a position as director of a bank he becomes trustee for the depositors as well as for the stockholders, and is bound to the observance of ordinary care and diligence, and is hence liable for injury resulting from the non-observance, where such non-observance is due to the negligence of such director. . . . Before a director can be made responsible for losses which have occurred through the mismanagement or dishonesty of a cashier it must appear that such losses resulted as a consequence of the omission of some duty, on his part. . . . Moreover, it cannot be said that an individual director is responsible for the negligent omissions of his codirectors, unless he shall have actively or passively participated in such negligent omissions." The court decided that a demurrer would not lie to the bill in equity, which was the sole question before it. Chicago Title & Trust Co. v. Munday, 131 N. E. (Ill.) 103.

RIGHT TO USE TERM "BANK," "BANKER," ETC.—"INVESTMENT BANKERS"—OHIO

Otis & Co., dealers in investment securities, on their letter heads and in advertisements used the term "investment bankers." They were averse to discontinue the use thereof, since it apparently would cause heavy financial loss. However, Ohio Gen. Code sec. 710-3 provides: "The use of the word 'bank,' 'banker' or 'banking' or 'trust,' or words of similar meaning in any foreign language, as a designation or name, or part of a designation or name, under which business is or may be con-

ducted in this state is restricted to banks as defined in the preceding section." A penalty of \$100 a day is prescribed for the violation of this prohibition.

The preceding section provides that "the term 'bank' shall include any person, firm, association, or corporation soliciting, receiving or accepting money, or its equivalent, on deposit as a business, whether such deposit is made subject to check, or is evidenced by a certificate of deposit, a passbook, a note, a receipt, or other writing," etc.

It was not contended that Otis & Company came within this definition of a "bank." The contention is that the term "investment bankers" was not used as part of a "designation or name."

In discussing this the court referred to the statutory requirements and safeguards thrown around the business of banking and then said that in addition "banking institutions voluntarily do many things to safeguard the depositors, and go to large expense in constructing vaults and locks, and experience has shown that banks employ trustworthy men of high integrity to look after their affairs; men who are competent to give advice to prospective investors. By reason of such regulations and supervision, and by reason of the careful methods voluntarily followed by banking institutions, the public have learned to place their confidence in banks AND JUSTLY SO. . . . It will be seen, therefore, that the use of the word 'bank' or 'banker' is a valuable adjunct to any business," and that its use should be restricted to institutions subject to the provision of the banking code.

The word "designation" as here used is not the same as "name," "appellation," or "business title." The court adopted the following definition from the Century Dictionary: "Specifically, an addition to a name, as a title, profession, trade, or occupation, to distinguish the person from others." Applying this definition the statute forbids the use of the term "investment bankers." It here "designates the business in which Otis & Co. is engaged and induces in the casual observer the belief that the firm is doing a banking business." The above construction is in accordance with the legislative purpose.

The statute as so construed is constitutional as a valid exercise of the police power. *Inglis v. Pontius*, 131 N. E. (Ohio) 509.

Statutes cited: Ohio Code 710-2 and 3. Const. Art. 13, No. 3.

RECOVERY OF DAMAGES FOR BREACH OF CONTRACT OF BANK TO MAKE EXCESSIVE LOAN—NEBRASKA

"The great weight of modern authority supports the doctrine that courts will not refuse to enforce a bank's contract for the loan of money, or disallow damages for a breach thereof, merely because the amount loaned exceeds 20 per cent. of the capital and surplus, notwithstanding a statute penalizing the banker for exceeding that limit" citing

cases. The Neb. statute involved is Rev. St. 1913, Sec. 312. The penalty for violating the act applies to "any officer, director, or employee" of the bank. "The penalty is a matter between the state and the lender. . . . The maximum amount lendable to an individual varies with the capital and surplus. The facts are not equally available to both contracting parties at all times." *Bank of College View v. Nelson*, 183 N. W. (Neb.) 100. Statutes cited: Neb. Rev. St. 1913, Sec. 312.

DEPOSITS MADE AFTER BANKING HOURS —NEGLIGENCE IN NOTIFYING BANK OF ERROR IN STATEMENT RENDERED —ARKANSAS

Deposits received after banking hours are valid charges against the bank. The

AS an exception to the general rule against interest on interest, it has been held that interest coupons on bonds bear interest from the date of their maturity, whether or not they are detached from such bonds.

ALTHOUGH a note given for a gambling debt is void under the Iowa Statutes, this does not affect the liability of an indorser who is responsible to a holder in due course.

THE law seems well settled that when an instrument provides for interest; it runs from date, that where no interest is reserved interest runs from the date of maturity at the legal rate; that interest on a demand note runs from the time of demand.

IN determining the value of shares of stock in a national or state bank for purpose of taxation, no deduction is to be made on account of the capital of the corporation invested in tax-exempt securities.

particular deposit claimed to have been made after banking hours was omitted from the next statement rendered by the bank. The alleged depositor testified that although he discovered the error promptly, he waited to see the person through whom the deposit was made (a director); that it was several weeks before he could find him in town; that he took the matter up with him at the earliest opportunity, and that the two then went to see the cashier with the duplicate deposit slip, which the alleged depositor claimed to have received. The court held that the jury was justified in finding that such alleged depositor was not negligent in making his protest to the bank; that where it was the custom of the employees of a bank to receive deposits after the usual bank-

ing hours to accommodate belated customers, the bank cannot escape liability for a deposit so received on account of the time of the deposit. *Farmers Bank & Trust Co. v. Boshears*, 231 S. W. (Ark.) 10.

DAMAGES ON BREACH OF CONTRACT TO PAY "REMITTANCE ORDER"— MASSACHUSETTS

Beecher paid the Cosmopolitan Trust Company \$500 and 30 cents postage for a "remittance order" for 24,270 Roumanian lei. One of the conditions of the receipt was that "refunds will be made at rate of exchange prevailing on date of refund." The Trust Company credited its Roumanian correspondent with the amount of the "remittance order" (so designated in the receipt and order itself), and set aside the 24,270 lei. It sent to the correspondent a letter of advice reading "please execute the following money orders to debit of our account," after which was a list of orders including the one in question. Before payment was had the Massachusetts Bank Commissioner took possession of the trust company and stopped all payment by foreign correspondents. On the day that possession was taken the trust company had with its correspondent in Roumania a net credit after deducting all orders on it, and on that date the lei were worth \$485.40. The court overruled the contention of Beecher that there was a trust relationship and that the money was received as a special deposit for transmission to the Roumanian correspondent. The contract was to provide funds to meet the order when it should be presented. "It was not contemplated by the plaintiff (Beecher) . . . that the trust company should not use the money paid to it as its own pending the performance of its agreement with the plaintiff." The provable claim of Beecher is for the "exchange money value of the order, when the defendant trust company refused through the action of bank commissioner to perform its contract," that is, \$485.40. *Beecher v. Cosmopolitan Trust Co.*, 131 N. E. (Mass.) 338.

REVOCATION OF CREDIT GIVEN FOR CHECK ON SAME BANK BECAUSE OF INSUFFICIENT FUNDS OF THE DRAWER—ARIZONA

Cohen sent by mail to the Nogales bank a check drawn on it by Gaxiola, indorsed, "Pay to the order of First National Bank of Nogales." Miss Barney, the substitute mail clerk, sent Cohen the following printed form of acknowledgment: "We have entered to your credit \$3,567.50. All other items than those drawn on this bank are credited for final payment." To this was added the printed signature of the cashier, and "By EMB," Miss Barney's initials, which she wrote or typed. She also enclosed a copy of the deposit slip which she made out. The bookkeeper in the ordinary course of the bank procedure credited the amount of the check to the account of Cohen, but the check was never stamped "Paid," but was

marked "Ins.," meaning insufficient funds, and held in "suspense," from the Saturday when the above took place, until the following Monday. On Monday the check was charged back to Cohen's account, and a telegram was sent to him advising him that the check was not paid for lack of funds. The check was also sent back to him.

The court held that the transaction amounted to a giving of credit to Cohen, and that the matter was closed when the notice and deposit slip were mailed.

"A distinction is sought to be drawn where a check is sent through the mail to a bank to be deposited, and where the holder of the check appears in person in the bank and offers to deposit it. But in principle there can be no such distinction."

The stamping of the check "Paid" and the debiting of the Gaxiola account were steps that did not concern Cohen; they concerned the internal system of the bank alone.

The attempted charging of the amount back to the depositor was unavailing; the bank became the debtor of Cohen and could discharge its liability only by payment of its debt. The situation is the same as if the bank had paid the money to the depositor and received it again on deposit. The California cases authorizing a repudiation of credit the same day as given are out of line with the general current of authorities and in any event are inapplicable here where the repudiation was sought on a subsequent day.

The contention that the transaction was an acceptance which must be in writing is unsound; it was payment, which is essentially different and does not require a writing.

The bank could not question the authority of the substitute mail clerk in sending the acknowledgment.

The retention of the check by Cohen and telegrams sent by him, set out in the opinion, were held not to estop him. *Cohen v. First Nat. Bank of Nogales*, 198 Pac. (Ariz.) 122.

CHECKS IN FULL SETTLEMENT OF DEBT—NORTH CAROLINA

From a grocery bill rendered by plaintiff, defendant deducted \$45 for damages to his automobile by plaintiff's truck and sent a check "in settlement of account," which check was cashed by plaintiff. Plaintiff sent a revised grocery bill, for which defendant sent a second check, again deducting the \$45, stating that it "balances the account between us." This check plaintiff deposited and credited it on account and then sued for the balance of \$45. The court held that by realizing on the checks, plaintiff was precluded from suing for any alleged balance. The fact that the grocery account taken alone was not disputed does not permit the recovery of the \$45. *Sylva v. Watt*, 107 S. E. (N. C.) 451.

INTEREST ON PAST-DUE INTEREST COUPONS—WEST VIRGINIA

Interest coupons on bonds bear interest from the date of their maturity,

whether or not they are detached from such bonds. This is an exception to the general rule against interest on interest. The New York rule that the coupons do not bear interest while in the hands of the holder of the bonds "is not followed in other states," citing *Edwards v. Bates County*, 163 U. S. 269, 16 Sup. Ct. 967, 41 L. Ed. 155.

Interest coupons "themselves possess qualities of negotiability from hand to hand after detachment from the bond or evidence of indebtedness of which they are a part. Each coupon contains its own obligation and promise to pay. Its attachment to the parent bond has no significance except for the purpose of identification. It adds nothing to the completeness of the obligation to pay the amount stated on the coupon on the date specified. . . . Such instruments are not mere incidents of the principal debt to which they are attached, but themselves represent separate and distinct contracts for the payment of money when due according to their terms, and, like other promises of a similar character, bear interest after default in payment."

Interest, however, cannot be collected if the maker of the bond is at all times ready to pay the coupons. *Hamilton v. Wheeling Public Service Co.*, 107 S. E. (W. Va.) 401.

LIABILITY OF INDORSER OF NOTE GIVEN FOR GAMBLING DEBT—NORTH CAROLINA

The Wachovia Bank & Trust Co. became a holder in due course of a note which Crafton had taken for money won by him in a game of cards and indorsed. In a suit by such holder against Crafton the court held that although the note was void under the Iowa statutes, this did not affect the liability of an indorser on his contract of indorsement, which "is a substantive contract, separable and independent of the instrument on which it appears, and where it has been made without qualification and for value, it guarantees to a holder in due course, among other things, that the instrument, at the time of the indorsement, is a valid and subsisting obligation." A statute rendering an instrument void does not relieve an indorser. *Wachovia Bank & Trust Co. v. Crafton*, 107 S. E. (N. C.) 316.

INTEREST ON DEMAND NOTE AFTER DEMAND—DELAWARE

A demand for \$500 was given without express provision for interest. Payments were made over a period of six years aggregating such amount, and the maker of the note contended that as the full principal sum had been paid, no interest could be recovered, on the general principle that when the principal of a claim is extinguished all the incidents go with it. This contention was denied on the ground that the holder of the note was entitled to interest as damages or compensation for the loss occasioned by the delay after demand. Payments were applied to principal and interest, so the full principal fund was not paid as contended.

"The question presented is whether a demand note, without express provision for the payment of interest, will bear interest from the date of demand."

"The law seems well settled that when an instrument provides for interest, it runs from the date; that where no interest is reserved, interest runs from the date of maturity at the legal rate; that interest on a demand note runs from the time of demand. Interest after maturity or from demand is by way of damages. . . . Interest is a legal incident to the principal sum, existing from the default in the performance of the contract by the debtor, wherever there is a certainty in the sum to be paid, and the time of payment. . . . Where a debt is wrongly withheld by the defendant, after the plaintiff has endeavored to obtain payment of it, the jury may give interest in the shape of damages for the unjust detention of the debt. Interest is allowed in general on the ground of contract, or the usage of the trade where a promise to pay interest is implied from such usage or from other circumstances." *Jacobs v. Murray*, 113 Atl. (Del. Super.) 803.

TAXATION OF BANK STOCK—OKLAHOMA

The president of a state bank in Oklahoma contended that in taxing the bank stock, \$20,000 invested in "depositors' guaranty fund warrants" should be deducted from the taxable value. The court, in overruling this contention, repeated the language of a former decision (*County v. Bank*, 79 Okl. 312, 193 Pac. 622) as follows:

"In assessing state or national banks, the assessment is not against the corporation upon its moneyed capital, surplus and undivided profits, but the tax is levied against the shares of stock in the hands of stockholders and the officers of the corporation act as the agent of the stockholders, both in listing the shares of stock for taxation, and in paying the taxes levied against said shares of stock."

"The shares of stock in a state or national bank are to be assessed at their true value, which may or may not coincide with their book value."

"In determining the value of shares of stock in a national or state bank for the purpose of taxation, no deduction is to be made on account of the capital of the corporation invested in securities, which are exempt from taxation." *In re Tradesmen's State Bank* 198 Pac. (Okl.) 479.

Carl T. Whittemore, formerly vice-president, has been elected president of the Guaranty Trust Company, Cambridge, Mass., succeeding Woodford Yerxa, deceased; Augustine J. Daly, vice-president, elected chairman of the board of directors, and Lloyd A. Frost, treasurer, elected vice-president, retaining the office of treasurer; Clarence S. Farnum has been appointed assistant treasurer.



TRUST COMPANY DIVISION



Federal Legislative Activities

An important conference was held with Treasury Department officials in Washington, D. C., on July 7, upon revenue tax matters of interest to fiduciary institutions. The subject matter of the McFadden Bill (H. R. 5361), which provides for a more speedy court adjudication of disputed claims for exemption or reduction in regard to taxable trust estates, and the Longworth Bill (H. R. 215), which provides for the taxation of gifts, were discussed. The exemption from income tax of contributions or gifts to corporations or other trustees for charitable purposes and the limitation of time of liability of fiduciaries for amended return of decedent under the income tax law were also considered.

Inquiries from members affected by the present defects in the law and the apprehension shown in respect to the Longworth Bill prompts us to assure members that every possible attention is being given to these measures.

Cooperation with the Bar

That substantial progress is being made in developing a closer cooperation between lawyers and fiduciary institutions, is evidenced by the report of a special committee of the Maryland State Bar Association at its recent convention held at Atlantic City, New Jersey.

After reciting the resolutions under which the committee was created, the report states:

"Your committee takes this occasion to compliment the excellent spirit of cooperation which has been shown on the part of one or two of Baltimore's leading trust companies, both by the personal conduct of their officials as well as through reading matter which the companies have disseminated. This brings your committee to the main point which it desires to emphasize in this report, namely, that in its judgment, what is primarily needed at this time is a stronger feeling of cooperation and friendship between the trust companies and the members of the bar at large, which can be best engendered by a spirit of mutual frankness, and a willingness on both sides to give publicity to the requirements of the law, and, what is most important of all, to report any violations which may be brought to their attention.

"Pursuant to the power which was specifically given to your committee under the resolution of this Association, we have conferred with representatives of local trust companies and also have carefully considered the activities and

recommendations of the Trust Company Division of the American Bankers Association. We find that at the annual meeting of that Division held in Chicago, in September, 1918, a special 'Committee on Cooperation with the Bar' was appointed, which has done excellent work in promoting cooperation and friendship between trust companies and lawyers. This committee rendered a report, in the form of a general letter, to the mid-winter conference of the Trust Company Division held in February, 1921, which was approved.

"The above committee found as a result of its activities, just as your own committee found, that criticisms directed against trust companies by lawyers were generally the result of a misunderstanding by one party or the other, and that the trust companies should be approached in such way as to inspire them with a continued realization of the necessity for conducting their business in such manner as not to incur the enmity of members of the legal profession. Believing that what this committee of the Trust Company Division of the American Bankers Association has formulated and presented to the trust companies, is so sound and so aptly stated, your committee feels that it can best perform the duties imposed upon it by adopting as its own recommendations, the major portion of what the foregoing committee has said, with the hope that in this way greater publicity and a better understanding will result. We, therefore, submit the following taken from the foregoing committee's recommendations as being entirely consonant with our own views, and suggest that the Association circularize them generally, in appropriate form, both among the members of the bar and trust company officials.

"First and Foremost, Trust Companies should so conduct their business that all possible conflict of interest with lawyers will be eliminated. Therefore, when a client proposes to name a trust company as executor or trustee of his or her estate every effort should be made to have the attorney for the client draw his or her will and in all legal matters in connection with the administration of the estate the client's attorney should, if possible, be employed.

"Second, Lawyers have complained more frequently than of any other one thing, of trust companies advertising to draw wills and this fact suggests the importance of trust companies giving careful consideration to the rights of lawyers when preparing their advertising material.

"Third, We believe it is good practice for trust companies to advertise

freely among the legal profession in order to acquaint it with the real functions of a trust company, thereby demonstrating to members of the bar that the company deals primarily not in matters of law but in matters of business, investment, clerical and accounting service, which do not conflict with the profession of the lawyer but really supplement and assist his work by relieving him of duties which he has neither the desire nor the office organization to perform.

"The committee whose recommendations we have above quoted has not hesitated to bring to the attention of individual trust companies any and all instances which have been brought to its own notice of practices in connection with their business to which lawyers could object, and asks that it be advised promptly of any such practices. Here, then, is an invitation from the duly constituted agency of trust companies associated together in one body throughout the country—which body embraces, as we understand it, or may properly be assumed to have the indorsement of, our local trust companies—to join with them in a sincere endeavor to eliminate improper practices. Can any member of the bar, therefore, longer complain of such practices, if, knowing them to exist and being informed of this invitation he nevertheless still refuses to report them as requested? We submit that he cannot. The question is not one of legislation, but rather of more general enlightenment and cooperation. As an essential part of the plan which we believe will accomplish this, we recommend that this Association appoint a committee or representative to whom reports or complaints should be made, and through whom all such reports or complaints will be forthwith transmitted to the Trust Company Division of the American Bankers Association."

It will be gratifying to our members to learn of this additional recognition accorded the work of the Committee on Cooperation with the Bar, which has striven since its appointment to remove the causes responsible for the lack of understanding between fiduciary institutions and members of the bar.

Silver Anniversary

The Trust Company Division will celebrate its quarter century of existence at the Los Angeles convention, October 3-7. The program is being built so that any delegate may participate in the discussions upon the topics listed or those introduced at the meetings.

Details will be published in the September issue of the JOURNAL.



SAVINGS BANK DIVISION



Strength of Savings Banks

Newspapers in all parts of the country continue to report increases in both number and amount of savings deposits. The first tabulation of this data in all national banks and in the commercial banks of a majority of states will appear this month and will be studied very closely by students of economic conditions.

The Cleveland Federal Reserve Bank advises that in fourteen of the principal savings banks in Cincinnati, Dayton, Cleveland, Pittsburgh, Toledo and Youngstown, savings deposits on June 30, 1921, increased 1.49 per cent. over May, 1921, and 2.13 per cent. over June, 1920.

The Atlanta Federal Reserve Bank reports replies on thirty-five member banks as follows: Comparing June, 1921, with June, 1920, eighteen banks averaged savings deposit increases of 11.9 per cent., fourteen an average increase of 10.5 per cent. and three reported no material change. Comparing June with May, 1921, fourteen banks reported average increases of 3.9 per cent., eleven reported decreases averaging 2 per cent. and ten reported no material change.

The Philadelphia Federal Reserve Bank reports that deposits in twenty-four savings institutions in that district on June 1 were 5.4 per cent. above June 1, 1920, but with a small loss during May.

The New York Federal Reserve Bank notes the same tendency except for the semi-annual interest adjustment and summarizes as follows:

"In the industrial centers in which unemployment has been severe this year, the banks reported a large turnover of deposits and in several cases a rather material decline.

"Taking the average monthly deposits of those banks in 1918 as a base of 100, the following figures show the trend of the deposits as of the tenth of each month:

	11 Banks in New York	10 Banks Outside New York
January, 1921.....	128.1	117.4
February	127.7	117.3
March	128.0	117.2
April	128.7	116.8
May	128.8	116.3
June	129.1	115.7
July	132.2	116.5

Chicago, Cleveland, St. Paul, Portland (Ore.), San Francisco, Roanoke, Minneapolis, Savannah and Seattle make similarly favorable reports.

Public Thrift

That bankers should assert their influence on behalf of government and home economy was made evident by U. S. Senator Pomerene of Ohio, who on July 15 urged the Ohio Bankers Association to make a strong declaration for a reduc-

tion in public expenditures and relief from the excessive taxation which increases the cost of living. He referred to the fact that "much is being said about the deplorable conditions of the farmers, but the farmers are in no worse condition than are the manufacturers of the country or the laborers. In fact, the latter are in worse condition than either the farmers or the manufacturers."

Annual Meeting of Division

Headquarters: Hotel Rosslyn

Have you made a reservation?

TENTATIVE SCHEDULE

October 3, *Monday*:

9.30 A. M.—National conference.

Noon—Annual Division luncheon.

2.30 P. M.—State Vice-Presidents.

4.00 P. M.—All committeemen.

October 4, *Tuesday*:

P. M.—First session.

Topic: Savings Fund Laws.

October 5, *Wednesday*:

Noon—Special luncheon.

Managers, School Savings Systems.

October 6, *Thursday*:

P. M.—Final session.

Topic: Thrift and Savings Plans.
Postal Savings System.

Business session.

Traylor on Housing

An address by Melvin A. Traylor, president of the First Trust and Savings Bank of Chicago, before the annual convention of the National Association of Real Estate Boards, July 14, is reported as follows by the *Chicago News*:

"Mr. Traylor hurled a hot shot at the crooks who have 'blundered the building industry in recent years,' and urged the real-estate men to create a campaign of 'merciless publicity and a public sentiment so pitiless that it will drive from the organizations of labor, material men, contractors, employers, real-estate men, every crook, grafter, profiteer and usurer who by their pernicious activities in the past have retarded building operation.'"

"Mr. Traylor said that legislative efforts to place a limit upon the return from real-estate investments and other harassing regulations will cause 'less building than ever, and the situation will take just so much longer to correct itself.' He also declared that usury laws now on the statute books are making it

prohibitive for bankers to loan money on real-estate mortgages.

"The ones who are to blame," he stated, "are the legislators who have limited the supply of capital by making it impossible for banks to meet the demand of large investors for a high interest rate, made necessary in turn by foolish laws, which exempt from moral taxation large classes of securities."

Copies of Mr. Traylor's address may be obtained from his bank or this office.

Kansas City Advertising

All Kansas City banks which accept savings deposits have joined in a six months' campaign with one advertisement each week. W. S. Webb, vice-president and cashier of the Missouri Savings Bank, is active in this movement. The first four advertisements of this "save some" campaign are full-page displays.

The only other joint campaign of this character now running is understood to be that in New Orleans.

Christmas Clubs—Correction

The Carlisle (Pa.) Trust Company should have been noted as the pioneer in the modern Christmas Club movement, in 1909, our statement in the last JOURNAL, page 17, being inadvertent.

School Savings Notes

The annual report on school savings banking systems which appears elsewhere in this issue includes a large proportion of all systems because of the splendid spirit of cooperation by banks and educators who appreciate the difficulty in compiling data from widely distributed systems, with accounting methods varying from 0 to 100 per cent. efficiency, and the managers of which do not always appreciate the great need or value of comparative statistics. Final totals and systems still missing will appear in a later JOURNAL.

Collection of school savings by a collector is said to avoid any law against branch banking, where such collections are on behalf of a committee of the bankers association and not by any class of banks or by an individual bank, such committee being responsible for the proper disposition of the funds. According to Mr. Moran of Washington, this will be of special interest to national banks.

The monthly *School Savings Bank Monitor* will be issued by the East New York Savings Bank to stimulate its school service. The June issue, No. 1, contains much information on banks and banking in contributions from the bank, the mayor and school authorities.

Postal Savings Plans and Methods

The views of Postmaster-General Hays and Secretary Hoover seem to be so well known to our members, as the result of publicity through official channels and as indicated by correspondence which reaches the Savings Bank Division of the American Bankers Association from all parts of the country, that we print only the synopsis which appears on this page.

What may prove to be the strongest argument on behalf of this official proposal is, as stated by R. W. Akin, cashier of the Peoples State Bank, Sullivan, Ind., that such "a reservoir of wealth would eventually mean greater loanable resources for the banks." On this point it is important to consider the present investment policy of the postal system with its preference for government bonds as against community use through redeposits, this resulting as follows in thousands of dollars:

Date	Total Postal Savings	On Redeposit in National Banks
June 30, 1920.....	\$157,276	\$83,243
September 8		84,230
November 15		73,198
November 30	162,393	
December 29		42,369
January 1, 1921.....	163,393	43,567
February 21		
March 1	163,350	
April 1	161,150	
April 28		40,474
May 1	158,100	
May 31	155,000	
June 30,	153,000	

The balance on deposit in all banks as shown by banks' books, June 30, 1920, was \$126,426, 019.31.

President Sadd on Postal Plans

Admitting that the present postal savings system is a failure, it is not reasonable to continue to discuss or to formulate the plans for changes without ascertaining basic facts, availing of the services of professional savings bankers and avoiding the disaster which would follow from using mere guesses by sincere but uninformed men. From a recent communication by President W. A. Sadd we quote in part:

"The Postmaster General states most emphatically that the postal savings system shall not compete with savings banks. His plan conflicts with that intention. However, there is much that the government can do to promote savings without adding to the tax burden involved in the clerical and publicity work evidently before the Postmaster-General. The postoffice can utilize the nation-wide, and even world-wide, banking system of this country. I suggest for purposes of argument:

"1. A study of the savings bank business by a commission of savings bankers, business men and perhaps a few politicians and socialists to be selected by the President of the United States with the cooperation of the American Bankers Association.

"2. Utilization of postoffices and postal

employees for collecting savings deposits which shall be forwarded each day to local or nearby savings banks, the depositor to receive the dividends declared or the interest paid by the bank depository, less the actual cost to the government of performing the service. The bank depository should be an institution which will hold these funds for the purposes, usually selected by professional savings bankers, of which real-estate mortgages are the most common. Never should our official employees be permitted to obtain treasury funds by the costly and wasteful and inefficient method of a government savings bank. The results of local thrift and savings are needed for financing community development.

Mr. Hays Proposes

1. Interest rate of 3 per cent.
2. Shorter interest periods.
3. Children under ten years of age as patrons.
4. Receive joint and trust funds.
5. Extend service to 50,000 offices.
6. Commission on deposits to postmasters (fourth class).
7. More liberal qualification rules for bank depositories.
8. Enlarged board of directors.

And

9. "One of the biggest newspaper advertising campaigns the world has ever known is soon to be instituted by the U. S. Government in an effort to bring back into circulation a billion dollars of American money, trace of which has been lost over a long period of years. The advertising is going principally into the country papers to persuade the owners of this money to deposit it in postal savings banks and other reliable banking institutions. The plan has the approval of President Harding and Postmaster-General Hays and the details are to be announced very shortly, according to Courtland Smith, speaking as the representative of the Postmaster-General to the members of the New York State Press Association in convention in Utica."—Ogdensburg (N. Y.) Journal, July 14, 1921.

Mr. Hoover Says

10. "It would seem a constructive thing if 40 or 50 per cent. of deposits in postal savings banks could be diverted to home building, as in the case of savings banks. I am convinced that an extension of the postal activities would monopolize a considerable fund of hoarded money"; which he thinks would "increase substantially the available requirements of local application of investment by filtering the money through existing building institutions"—National Real Estate Journal, July 18, 1921, page 20.

"Every professional savings banker, as well as every other banker and financier, will sympathize with the problem of the Postmaster General as manager of a postal system which has fallen far short of the predictions by its sponsors and also has fallen so far short of attaining the American ideal of success. The system is not a competitor of the banks, although it may be urged that it penalizes community thrift and progress in so far as it withdraws savings. We therefore submit our services in any advisory capacity which Mr. Hays may select."

Bank Service for Foreigners

A bank official whose views on savings banking for aliens is anything but academic is A. E. Adams, president of the First National Bank of Youngstown, Ohio, who writes in commenting upon the correspondence between the Postoffice Department and Deputy Manager Woodworth of the Savings Bank Division of the American Bankers Association:

"I am thoroughly in accord with the views expressed in your letter of July 14 to Postmaster-General Hays.

"After twenty-five years' experience in the savings bank business in a city the population of which is more than 60 per cent. foreign born I am of the opinion that the popular idea about the amount of hoarded money in this country is far from the actual fact. Even Mr. Knox's estimate of half a billion seems excessive.

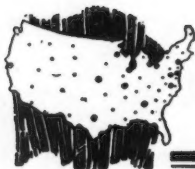
"Our bank operates one of the largest exclusive foreign departments in the country. For years we have made a special study of the habits and tendencies of foreigners and, through our foreign department tellers, who themselves are all foreigners, have known many thousands of them intimately. To us—and by "us" in this case I particularly mean our foreign department officers and tellers—these popular estimates of hoarded money are jokes.

"As to the adequacy of savings bank facilities in the country, I am confident that there is an abundance. Indeed, I am of the opinion that the business is overdone rather than the contrary. There are thousands of small banks scattered throughout the country unable to get enough business to pay living wages to officers and employees in spite of the utmost diligence.

"As to the confidence which the foreigner has in American banks, my own opinion is again at variance with the popular one. It is my observation that the average foreigner will patronize a substantial American institution in preference both to the postal savings banks and to the so-called "foreign bank" operated by his fellow foreigner.

"That the foreigner has confidence in our government is not to be questioned, but that he either needs or wants a government savings institution is a mistaken notion. * * *

"Postal savings banks have failed rather more completely than we expected. I now see no reason why an attempt should be made to put life into them. They are not needed. They never under any circumstances will be of real benefit to the public. On the other hand they are an evil. They represent a step into socialism. They commit the government to a principle which many of us believe will destroy the present economic order if accepted in any very large way. They are of a piece with the land banks and other efforts of the government to meet the demands of special groups for special privileges."



CLEARING HOUSE SECTION



Collecting Trade Acceptances

Repeated complaints of the lax methods employed by many banks in presenting and collecting trade acceptances have been forthcoming, more especially from the smaller trade sections to the prominent users of trade acceptances in the important business centers. These complaints appear in various forms, but in general they seem to establish the fact that many collecting banks are ignoring the plain instructions which appear on the face of the acceptance and are attempting to make collections in some way other than that designated by the acceptors of the bills. In specific instances, reports state that collecting banks have been known to present an acceptance for payment at the office of the drawee, instead of at his bank, with an occasional disregard for banking hours. Another complaint is that the drawee has been requested by telephone to forward his certified check to take up a trade acceptance at a bank other than that at which the acceptance has been made payable.

The American Acceptance Council, which is in constant communication with users of trade acceptances in every section of the country, as well as with bankers who have been giving their whole-hearted cooperation to the Council, has in its files a collection of significant comments upon the character of the service performed by some banks in the handling of these items.

There can be no reasonable or valid excuse advanced by a collecting bank for neglecting to present an acceptance for payment at the place designated. The provisions of the Negotiable Instruments Act on this point are quite plain and should be fully understood by any one who is charged with the responsibility of conducting the collection department of a banking institution.

In an opinion published in this JOURNAL in March, 1921, General Counsel, Thomas P. Paton, said:

Where the drawer of a trade acceptance makes it payable at a bank it is equivalent (except in certain states) to an order to the bank to pay, and there is no need of express instructions as a prerequisite to payment. A bank which refuses payment, having sufficient funds of his customer, would be liable to him for injuring his credit. When the drawee makes his trade acceptance payable at the bank, it comes under the rule of Section 87 of the Negotiable Instruments Act that "where an instrument is made payable at a bank, it is equivalent to an order on the bank to pay the same for the account of the principal debtor thereon." There is, therefore, no need of express instructions from the acceptor as a prerequisite to payment, and the bank should make payment at maturity the same as it would make payment of a drawer's check. Where the bank refuses payment, having sufficient funds, its liability to the customer would be the same as where it refused to pay his good check, namely, it would be subject to an action for damages for injury to credit

by reason of wrongful dishonor. There would be no liability of the bank to the holder of the instrument, but only to the customer.

In a few States (Illinois, Nebraska, South Dakota, Kansas and Minnesota) the rule of Section 87 of the Negotiable Instruments Act does not prevail.

It is the duty of a bank to which a trade acceptance is sent for collection to present each such collection to the bank at which it is made payable by the acceptor. The trade acceptance is such a useful instrument of credit that its future should not be jeopardized by certain banks which are causing criticism and annoyance by their irregular methods of presentation. The only thing that a bank has to sell is service, and good service entails strict compliance with the instructions of those who deliver their business documents to the banks for their attention.

The Federal Reserve Bank of the Fifth District, in a letter to the member banks, said:

Accepted drafts are becoming much more numerous since the trade acceptance plan has been growing in favor. It is therefore probable that many more banks will be called upon to handle these items than has been the case up to this time. The Collection Department of every bank should be thoroughly instructed on the subject of the presentation and return, with or without protest (in accordance with instructions) of all accepted drafts and acceptances sent for collection by customers or correspondents.

There is nothing complicated about the trade acceptance, and its ready adaptation to the requirements of American business should commend it to the banks and bankers of the country, and induce them to promote, and not to discourage, its use. By far the great majority of the bankers are proceeding along these lines and are recognizing in the trade acceptance an opportunity for greater service to American business.

Section Headquarters

Mr. A. A. Crane president of the Clearing House Section and vice-president of the First National Bank, Minneapolis, Minn., who will preside at the sessions of the Clearing House Section at Los Angeles Convention in October, wishes to inform all members of the Section that arrangements have been made for headquarters and meetings of the Section at the Clark Hotel, Los Angeles.

Special Announcement

At the annual convention of the American Bankers Association to be held in Los Angeles, October 3 to 7 inclusive, the Clearing House Section will hold a symposium on the clearing house examiner system. This meeting will be in charge of Charles H. Meyer, chief examiner of the Chicago Clearing House Association, Edward A. James, examiner of the Salt Lake City Clearing House

Association, and George A. Kelsey, manager of the Cleveland Clearing House Association. We believe this conference will be one of the most interesting held during the convention, since so many cities that are without this system of examination are manifesting such a keen interest in it. Following the symposium the meeting will be thrown open for discussion.

We wish to extend an invitation to all bankers in attendance at the convention who are interested in the clearing house examiner system a cordial invitation to be present at the meeting of this Section. The full program will be announced in the September issue of the JOURNAL.

Standard Form of Statement

Some time ago the officers of this Section revised the condensed form of financial statement which was unanimously approved at the annual convention of the Association held in Chicago in 1918. Since that time this office has received many orders for these statement forms from banks in all sections of the country. The form has the endorsement of the National Association of Credit Men, as well as the American Institute of Accountants, and the committee feels that it is the "last word" in a financial statement. Copies of these statements have been sent to the banks in all clearing house cities. We have on hand a supply and will be glad to furnish, at cost price, as many as are desired.

New Associations Organized

During the past few months the following cities have organized active clearing house associations: Charleston, W. Va.; Terre Haute, Ind.; Casper, Wyo.; Lynn, Mass.; Moline, Ill.; Warren, Pa., and Allentown, Pa.

County Associations

During the past few months the secretary of this Section has had many inquiries from some of the smaller cities and towns asking for information pertaining to the organization of a county clearing house association. To bring the county clearing house idea before the bankers of the country who may be interested we are submitting the idea that is being carried out so successfully in Lebanon County, Pa., as follows:

The Lebanon, Pa., Clearing House Association, through which the items of six member institutions of the city of Lebanon and of eleven outlying county banks are cleared and settled for each day, is a model of simplicity and practical convenience. Prior to its formation the usual practice was followed of each bank carrying on its list of correspondents at least one bank in each of the

districts of the county, with settlements made on a fifteen-day basis.

When the idea was first suggested that the outlying banks unite in the project of prompt daily county-wide settlements by choosing one city bank to which all items drawn against the particular outlying bank should be sent there was naturally some hesitation on the part of the outlying bank, not only because the arrangement would deprive it of the delayed settlement but would also involve the maintenance of a balance with its agent, sufficient at least to cover the average daily debit against it. At first sight this seemed a considerable loss to the outlying bank.

On inquiring into the details under the old plan, however, it was found that the elimination of all but one county correspondent would effect such a saving of stationery and postage and of time and attention of correspondence clerk, bookkeeper and bank official as would more than repay any apparent loss in exchange or interest earned by way of delayed settlements. Besides, the concentration of all county items through one collecting agent with no delays anywhere along the line, appealed strongly to every outlying bank, for the reason that all were able to cite instances where the delayed settlement plan had been used to their decided disadvantage. It was particularly noted that there was a disposition on the part of certain of the outlying county banks to impose on their similarly located competitors whenever opportunity offered. Relief from this situation was naturally to be welcomed. Besides all this it was seen that the outlying bank would gain a

genuine advantage in having a dependable means through which its every need with respect to cash would be promptly and cheerfully met.

After due consideration it was agreed to try out the new idea, each bank signifying its choice of a Lebanon Clearing House member as agent. Representatives of all the banks were called together for a dinner and a date fixed on which the plan was to become effective. From the beginning the plan has been a source of deep satisfaction to all concerned and not one now would consent to a return to the former cumbersome practice. So far as the experience of the banks of Lebanon County is concerned, the direct and definite advantages of the county clearing house plan have been conclusively demonstrated.

The secretary will be very glad to furnish any further information regarding the organization of a county clearing house association.

banks through the mail, over the counter and through the clearing house for the week, including the business of Thursday; that is, the grand total of all debits against the accounts covering individual, bank, general and savings deposits. Also certificates of deposit and cashier's checks paid.

Total bank transactions may be assembled with but very little trouble. By furnishing them the clearing houses will be rendering a very desirable service and this information will prove of interest and value to every bank officer. It is published quarterly by this Section. The volume of business in any city can be measured only by the total bank transactions, which figures are the true barometer for business conditions.

The secretary will be very glad to furnish a supply of postal cards to all clearing houses desiring to make such a report weekly.

Total Bank Transactions

In order that there may be available, in addition to the present valuable clearing house statistics, figures that will show as clearly as is possible the actual business that is transacted throughout the country, a plan of gathering statistics known as total bank transactions was instituted by the Clearing House Section some time ago. Under this plan it is hoped that all the clearing houses throughout the United States will, in addition to reporting their clearings, make a report on each Thursday of the total volume of business transacted by the members and non-member clearing

Purposes of a Clearing House

1. To facilitate the handling of business between its members. 2. To facilitate the handling of business between these institutions and banks and trust companies of other localities. 3. To foster and encourage conservative, safe and sound banking methods and banking practices. 4. To use its influence in matters of common interest to its members, and for the general good of the community wherein it is located. 5. To perform such other services as are agreed upon by its members and which are not in contravention of Federal or state laws.

Clearings and Total Bank Transactions

FOR SECOND QUARTER, 1921 (APRIL, MAY AND JUNE)

(See page 754 of May JOURNAL for figures for first quarter, 1921)

Clearing House Association	Clearings	Total Bank Transactions	Clearing House Association	Clearings	Total Bank Transactions
Atlanta	\$490,628,835	\$802,639,750	Milwaukee	\$348,314,600	\$662,506,546
Boston	3,237,540,520	4,505,893,789	Muskogee	39,226,146	44,765,682
Buffalo	451,886,881	733,907,884	New Orleans.....	504,449,056	948,604,446
Cedar Rapids.....	27,243,621	129,604,268	Oakland	129,060,494	241,293,181
Chattanooga	64,036,263	85,105,726	Providence	128,792,800	400,276,700
Cincinnati	631,555,436	1,870,690,455	Richmond	332,251,202	761,974,900
Des Moines	112,611,361	635,917,687	Sacramento	58,652,413	252,406,052
Fort Wayne	22,700,080	166,243,018	San Francisco.....	1,577,800,000	3,204,060,000
Fort Worth.....	132,183,010	*	St. Joseph.....	121,470,562	774,973,581
Galveston	84,731,874	314,300,000	Scranton	61,236,155	228,019,941
Grand Rapids.....	66,554,969	232,445,823	Seattle	366,744,321	764,413,112
Hartford	109,891,530	468,886,988	Sioux City.....	70,179,999	108,678,500
Houston	274,224,165	765,865,765	Spokane	120,171,825	322,306,655
Huntington, W. Va.....	20,319,209	60,663,944	Springfield, Mass.....	55,669,843	168,198,414
Indianapolis	185,040,300	682,814,000	Stamford, Conn.....	29,817,626	*
Joplin	11,976,000	26,279,000	Tacoma	40,775,599	180,512,793
Kansas City.....	1,793,953,795	2,722,396,000	Topeka	32,400,212	*
Lincoln, Neb.....	38,054,495	*	Trenton, N. J.....	46,529,797	138,730,732
Los Angeles.....	980,062,000	2,817,132,000	Vicksburg	3,199,507	15,753,478
Louisville	294,864,407	815,877,589	Wichita	137,692,167	*
Macon, Ga.....	37,419,556	*			
Memphis	143,785,999	398,100,766			
Minneapolis	786,105,667	2,310,043,890			

\$14,201,804,297 \$29,862,283,055

*No reports received for total bank transactions.



NATIONAL BANK DIVISION



Reserve Board Investigation

Criticisms of the Federal Reserve Board coming from various parts of the United States, and in some instances receiving rather wide publicity, have prompted Governor Harding, of the Board, to make formal request for Congressional investigation. It is understood that Secretary Mellon sanctions the proposed inquiry in the affairs of the Board to determine the justice of the charges made, some of which are attributed to John Skelton Williams, former Comptroller of the Currency, and ex-officio member of the Board. Chairman McFadden, of the House Committee on Banking and Currency, has introduced a resolution asking authority for the investigation which would delve into every detail of the Board's activities, as well as those of the regional banks. Should the House approve the inquiry it will be undertaken at once. The numerous charges and counter charges made seem to warrant the program outlined.

In addition to inquiring into the methods employed by the Board it is intended to develop the construction placed upon the statutes by the Board and to determine the propriety of that institution in directing its office as it has. This program is clearly and wholly in the public interest. If the mutterings heard against the Board are properly based then remedial steps, either in the nature of legislation or a different policy of administration, should be taken. Conversely if the inquiry should develop that the charges are not well founded the public should be advised to the end that general confidence in this, one of the greatest institutions in the American Government, may be maintained.

Headquarters at Los Angeles

Members contemplating attending the annual convention of the Association in Los Angeles should give early thought to preparations for the journey to the Coast, and also for accommodations while there. Several inviting special train tours have been planned from the East, and to those who wish to travel the most direct route other reduced rates are offered.

Headquarters for the National Bank Division will be the Clark Hotel. This is one of the leading hosteleries, and is located in the hotel section of the business district. It is intended that this hotel shall house all National bank members who desire this convenient location, though the meetings of the Division likely will be held elsewhere, but convenient to the Clark Hotel. This plan will give National bank members the advantage of close association with each other.

Requests for hotel reservations should be made promptly to Mr. H. F. Stewart, Chairman Hotel Committee, c/o Farmers & Merchants National Bank, Los Angeles. Applications should state the number of persons accommodations are sought for, the character of room or rooms desired and the probable time of arrival.

Encourage the Small Saver

Securing a man's initial deposit in the savings department is a distinct accomplishment, but encouraging his account to grow is quite as important. Experience has shown that enthusiasm for saving small sums is inclined to wane if not stimulated in some manner. Too often the temptation to invest one's savings in some enterprise recognized as somewhat risky, but alluringly presented, is controlling if the bank does not keep before its depositors a vision of the goal for which they should continue to strive. Repeated suggestions of the value of a savings account to an individual, and an offer of counsel in the matter of investments, yield very satisfactory returns. Nothing tends to encourage the beginner like the personal interest the bank can show in his welfare and in his progress, and consequently one of the greatest assets the savings department can have is a generous supply of this personal interest constantly manifested in its depositors.

Powers Outside of Own States

The question of the right of a National Bank to exercise fiduciary powers outside its own state has been presented to the Federal Reserve Board for an opinion which follows:

"A permit issued to a National Bank by the Federal Reserve Board under the terms of section 11 (k) results in an extension of the corporate powers of the bank to include the power to act in the various fiduciary capacities mentioned in the permit. Whether or not the bank may exercise those powers in states other than that in which it is located is a question which depends upon the laws of each of those other states, since section 11 (k) expressly provides that the powers conferred by it may be exercised only 'when not in contravention of state or local law.' The Board is of the opinion that there is no other provision in the Federal Reserve Act or National Bank Act which should be construed to restrict the exercise of trust powers in behalf of residents of other states.

"The Federal Reserve Board is of the opinion, therefore, that a National bank which has been granted permission to exercise fiduciary powers

under the provisions of section 11 (k) may, without other authority, exercise the powers granted not only in the state where the bank is located but also in any other state the laws of which do not expressly or by necessary implication prohibit the exercise of those powers by National banks located in other states. The Board is of the opinion, however, that in any such case the National bank would have to conform to those laws of any state in which it is acting which relate to the exercise of fiduciary powers by foreign corporations."

New York State Officers

The elections to the American Bankers Association made by the New York State Bankers Association at the annual convention of the latter held in Atlantic City, were as follows:

Vice-President American Bankers Association for the state of New York, Frank L. Barnes, secretary Syracuse Trust Company, Syracuse.

Members of the Executive Council, S. G. H. Turner, president Second National Bank, Elmira; Chas. L. Schenck, vice-president Peoples Trust Company, Brooklyn; Benjamin E. Smythe, president (tentatively elected) Gramatan National Bank, Bronxville.

Members Nominating Committee: Frank K. Houston, vice-president Chemical National Bank, New York City.

Alternate Member Nominating Committee, George G. Clarabut, vice-president Farmers National Bank, Rome.

Vice-President Trust Company Division, Chas. H. Bissikummer, president Albany Trust Company, Albany.

Vice-President Savings Bank Division, Everett Smith, president Schenectady Savings Bank, Schenectady.

Vice-President National Bank Division, H. A. Beeman, cashier Canandaigua National Bank, Canandaigua.

Vice-President State Bank Division, F. E. Johnson, vice-president Bank of Cattaraugus, Cattaraugus.

The officers of the New York State Bankers Association are: Jacob H. Herzog, President, vice-president National Commercial Bank and Trust Company, Albany, N. Y.; Howard Bissell, Vice-President, president The Peoples Bank of Buffalo, Buffalo; A. A. G. Luders, Treasurer; trust officer The Coal & Iron National Bank of the City of New York; Edward J. Gallien, Secretary, 128 Broadway, New York City.

School Savings Banking

SECOND ANNUAL A. B. A. REPORT, 1921

(Compiled by Savings Bank Division, American Bankers Association)

This report is for the school year of 1920-1921. This table is based on the terms received on or before July 26, 1921. Reports received thereafter and corrections will appear in a supplemental table with final total and comparative data.

Systems are indicated by same numbers as in the table for the year 1919-1920, and description, this JOURNAL, December, 1920, as follows: No. 1A Pass Book; 1B, Thiry; 1C, Uplift Thrift; 1D, Rieman; 1E, Certificate; 1F, Educational Thrift Service; 2A, Stamp Card Systems; 2B, Automatic Receiving Tellers; 3, Punch Card; 4, Envelope.

CITY	Plan No.	Schools	Enrollment	Participating	Average Number Depositing Each Week	Average Gross Collections Account All Pupils	Collections	Interest Earned	Cash Withdrawals	Bank Balance, June 30th	Average Gross Deposit for Year	Average Net Deposit for Year	Average Weekly Total Collections
TOTALS		2,630	1,479,567	666,478	205,704	\$2.34	\$3,475,867.96		\$1,393,230.49	\$4,645,487.28	\$5.22	\$3.13	\$88,068.65
North Atlantic													
VERMONT													
Bennington	2A	2	795	500		\$3.00	\$2,378.70			\$2,378.70	\$4.76	\$4.76	\$56.63
MASSACHUSETTS													
Attleboro	1A	16	3,535	2,208		2.52	8,894.06	\$92.74	\$100.24	10,947.16	4.03	3.98	286.90
Beverly	1A	13	4,547		1,011	1	9,348.05	144.30	1,904.15	7,588.20		1.96	233.70
Belmont	2A	7	1,741	996	30	2.35	4,087.99			4,087.99	4.10	4.10	95.33
Boston	1A	16	12,659	9,201	1	2.81	35,554.95		7,630.37	6,265.91	3.86	3.03	846.55
Braintree	1A	9	1,953	1,184		.69	1,841.07		1,101.26	1,017.76	1.13	.20	33.52
Cambridge	2B	11	7,243			1.58	11,471.41	4.12	4,662.72	6,812.81			165.33
Holden	1A	8	350	150	25	.89	311.26		49.27	311.99	2.00	1.70	8.50
Lawrence	2B	7	3,068	457		.36	2,299.67		452.42	747.25	2.46	1.47	28.11
Lynn	3	5	4,715	2,016	194	4.00	7,178.54	66.07	3,773.88	3,470.73	3.56	1.69	17.09
Malden	3	8	1	1,662	250	1	7,720.33		203.81	7,516.52	4.64	4.52	296.93
Melrose	1A	18	5,421	2,200		1.36	6,348.00		1,026.23	11,830.61	2.89		209.03
Methuen	2A	6	1,660	829		1	2,573.74		58.80	2,522.48			69.45
Methuen	2B					1.52					4.00	3.90	62.84
Newburyport	1A	10	1,496	882	225	2.79	4,170.36	31.12	175.82	713.67	9.95	9.53	104.28
Newton	1A	5	991	728		2.77	2,752.39	1.14	29.89	2,846.31	3.78	3.74	68.81
Needham	2B	4	1,056	500		.20	2,110.77			1,039.05	4.22	4.22	84.43
Salem	1A	23	7,057	4,091	1,775	2.64	18,649.77	506.17	6,204.08	28,887.18	4.56	3.04	444.04
Saugus	3	2	559	373	12	2.65	1,482.34	45.63	486.53	2,139.74	3.97	1.78	47.81
Somerville	1A	24	13,286	5,041	2,140	3.12	41,432.19		4,652.45	1,043.87	8.22	7.29	1,381.07
Southbridge	1A	5	1,080	486	251	3.04	3,286.65		229.87	3,056.78	6.76	6.29	99.59
Swampscott	3	5	1,571	281	7	.75	1,131.51	61.17	759.69	1,934.81	4.02	1.54	26.31
Westborough	1A	2	587	283	66	2.26	1,326.42	4.16	3.55	1,479.09	4.68	4.60	34.91
Weymouth	1A	10	2,665	2,012	1	2.78	7,116.79		6,605.43	1,986.45	3.53	.25	177.92
Williamstown	1A	3	570	400		2.63	1,500.00			1,500.00	3.75		35.71
Worcester	2B	33	17,509	5,981		1.11	19,516.32	162.76	19,124.90	9,624.76	3.26		678.32
CONNECTICUT													
Berlin	1A	8	821	381		1.94	1,593.00				4.18		79.66
Bristol	1A	8	4,021	1,542	347	1.33	5,495.22		600.00	4,895.22	3.56	3.17	133.40
New Haven	2B	25	17,051			1.00	17,000.56						404.78
New London	2B	19	4,708	1,201		.87	4,082.68	15.21	250.00	1,045.49	3.31	3.19	97.21
New London (Sub.)	1A	11	2,831	1,683	558	4.12	11,675.37	31.10	154.68	22,544.12	6.93	6.90	324.35
Norwalk	2B	14	5,120			.53	2,705.46		50.25	1,540.69			64.41
So. Norwalk													
Middle Atlantic													
NEW YORK													
Auburn	2B	10	3,577	1,000		.75	2,712.56		310.09	1,012.57	2.71	2.54	64.58
Canandaigua	3	4	374	241		2.50	936.87		302.19	634.68	3.89	2.64	22.31
Geneva	1A	5	1,400	700	350	2.20	3,080.04			557.51	4.40	4.40	77.00
Hamburg	1F	1	790	385	15	.30	235.33		280.12	656.42	.61		5.60
Hudson	3	7	2,515		153	3.12	7,836.13	2.36	7,664.66	176.03			206.21
New Palz	1A	1	253	115		1.71	434.31	4.66	31.93	111.02	3.68	3.41	10.34
New York City	3	250	472,348	128,915	3,580	1.03	487,949.22	\$2,315.15	139,843.51	862,801.13	3.80	2.71	13,415.25
Port Jervis	1F	5	1,625	1,339	1,104	2.71	4,412.50		621.40	3,791.10	3.29	2.83	368.15
Rochester	4A	44	38,754	17,092	2,136	1.00	38,709.89	5,742.37	20,922.17	175,866.18	2.26	1.38	1,046.21
Schenectady	1A	24	13,601	6,718		3.74	30,947.93	20.97	200.11	93.02	7.60	7.55	1,213.05
Whitehall	1A	4	1,187	408	150	1.44	1,714.05		857.53	2,481.54	4.20	2.09	47.51
NEW JERSEY													
Bloomfield	2B	7	3,550	1,500		1.84	6,531.03	62.43	1,005.50	11,573.01	4.35	3.68	15.55
Montclair	2B	8	3,503			1.30	4,537.41	195.26	2,522.85	7,920.54			108.03
Trenton	1A	66	19,400	14,026	7,013	5.30	102,844.94	3,878.35	63,046.15	175,660.36	7.33	4.48	2,543.93
PENNSYLVANIA													
Allentown	1F	21	10,807	8,104	5,403	3.87	41,892.00	578.52	26,664.30	58,566.98	5.17	1.87	997.00
Ambridge	1F	9	3,100	2,416	1,722	5.50	16,412.20	28.00	1,816.90	13,995.17	6.79	6.04	410.00
Bellefonte	1A	2	899	599	140	4.56	4,101.06	74.41	1,490.95	6,607.94	6.84	4.36	97.64
Bradock	1F	16		5,500	2,500		59,814.05	2,106.00	28,441.01	35,279.04	10.84	6.03	186.37
Bridgeville	1F	1	649	370	170	11.05	7,176.47	44.92	2,275.63	4,945.76	12.61	6.49	119.66
Burgettstown	1F	1	523	442	281	3.83	2,016.70	95.00	416.70	4,918.62	4.56		58.14
Canonsburg	1F	7	2,603	2,426	1,400	8.47	22,058.16	159.88	10,108.86	22,125.54	13.28	9.20	596.17

SCHOOL SAVINGS BANKING—Continued

SECOND ANNUAL A. B. A. REPORT, 1921

(Compiled by Savings Bank Division, American Bankers Association)

CITY	Plan No.	Schools	Enrollment	Participating	Average Number Depositing Each Week	Average Gross Collections Account All Pupils	Collections	Interest Earned	Cash Withdrawals	Bank Balance, June 30th	Average Gross Deposit for Year	Average Net Deposit for Year	Average Weekly Total Collections
PENNSYLVANIA—Continued													
Carnegie	1F	5	1,851	1,266	904	\$4.11	\$7,617.42	\$106.03	\$1,105.50	\$10,857.63	\$6.02		\$201.46
Chester	1B	20	7,290	2,906	1,600	4.80	33,129.94	775.17	25,707.45	52,059.00	11.42	\$2.88	788.81
Clearfield	1F	5	1,347	1,327	1,106	7.00	9,427.82	105.27	3,623.29	5,909.80	7.10	4.45	254.80
Conneville	1F	8	2,846	2,091	1	6.22	17,724.50	124.45	7,140.94	20,765.96	8.48	5.06	340.85
Corapolis	1F	4	1,210	941	750	4.14	5,016.66	49.00	1,416.90	11,831.52			132.14
Greensburg	1F	11	4,250	3,107	1,550	8.16	34,670.83	877.50	19,134.75	35,486.58	11.47	5.00	935.58
Grove City	2A	2	875	416	175	3.24	2,532.91		40.50	14,972.99	6.80	6.78	67.45
Harrisburg	1F	32	13,521	10,502	6,708	3.61	48,914.65	385.80	11,619.30	44,117.15			1,371.00
Hazleton	1F	19	6,279	4,030	2,800	4.68	29,354.49	638.59	12,684.46	17,308.62	7.28	4.14	714.12
Jeannette	1F	5	2,050	1,641	1,406	1.66	5,412.09		429.70	2,982.39	2.07	1.81	291.40
Jessup	1F	5	1,500	811	642	2.27	3,419.92		611.90	2,808.02	4.19	3.46	136.41
Lebanon	1F	14	3,366	3,512	1,977	3.77	13,601.20	219.00	4,106.50	14,109.12	3.87		341.16
Lock Haven	1F	4	995	995	475	5.82	5,789.90	102.99	3,743.24	5,949.47	5.82	2.05	155.13
McDonald	1F	2	850	454	157	4.07	3,481.48		691.22	2,770.26	7.60	6.11	133.13
McKees Rocks	1F	6	1,991	1,550	550	10.50	20,902.45	289.21	9,993.32	11,198.34	13.48	7.03	499.00
Meadville	1F	4	1,820	1,485	178	2.80	5,091.51	467.05	3,161.59	6,927.69	6.79	4.76	137.00
Millersburg	1F	2	525	309	208	3.96	2,080.00	94.00	1,008.00	6,508.12			64.81
Monessen	1F	8	3,516	2,806	1,350	3.65	12,858.18	351.53	10,895.46	11,104.90	4.58	7.0	306.15
Muncy	1F	1	410	145	35	3.49	1,428.93	52.66	826.85	2,869.47	9.85	4.15	34.02
Norristown	1A	8	4,600	2,665	1	5.55	25,540.92		21,386.15	29,657.32	9.59	1.56	608.12
Pittsford	1F	10	3,162	2,040	1,718	4.08	12,809.33	291.40	3,016.76	21,323.94	6.27		329.60
Plymouth	1F	8	2,964	1,813	1,108	3.04	9,016.42	141.80	7,200.44	14,173.95	4.97	2.30	216.55
Pottsville	1F	13	3,000	2,200		6.65	19,934.28		15,220.33	21,019.39	9.06	2.14	500.00
Schuylkill Haven	1F	4	964	758	470	10.59	10,211.28	59.13	2,486.05	7,784.36	13.47	10.19	243.12
Scranton	1F	47	20,000	15,000	6,500	5.59	111,379.92	1,400.07	62,192.02	133,668.45	7.55	3.40	2,728.78
Sunbury	1A	8	3,000	1,171	500	2.31	6,927.14	55.19	4,561.85	2,420.48	5.96	2.06	193.95
Sharon	1F	9	3,114	2,333	1,666	3.66	11,419.88	604.40	3,619.94	20,533.69	4.89		319.67
Washington	1F	10	4,650	2,211		5.48	25,469.41	158.26	9,038.90	16,589.37	11.51	7.50	707.04
West Chester	1B	5	2,028	760	564	2.68	5,447.73	219.65	2,756.34	10,061.49	7.17	3.54	129.71
W. Hazleton	1F	2	1,200	800	250	4.83	4,267.10	12.02	1,971.37	3,831.40	7.33	4.79	70.00
W. Middlesex	1F	1	223	125	60	1.51	949.21	18.09	549.89	835.40	7.96	5.34	30.00
Wilkesbarre	1F	41	20,022	16,309	8,410	5.14	158,782.84	649.21	45,379.37	114,052.68	6.31	3.52	2,546.17
Williamsport	1A	12	5,056	1,768		1.28	6,478.89	792.27		33,346.13	3.66	3.66	154.25
Woodlawn	1F	5	2,400	1,800	1,500	8.74	20,969.80	324.91	13,737.63	28,818.50	23.64	16.01	700.00
East No. Central													
OHIO													
Akron	1F	33	28,833	16,806	9,146	.90	25,940.29		2,966.94	22,973.35	1.54	1.38	2,594.00
Alliance	1A	10	3,899	1,171	400	1.56	6,100.43	200.64	4,379.53	10,109.11	5.00	1.50	175.00
Barberton	1F	11	3,713	2,718	1,000	.99	3,691.70		493.24	3,198.55	1.32	1.18	87.90
Canton	1F	26	12,898	8,159	4,591	1.34	17,338.24		2,429.99	14,908.25	2.12	1.82	1,238.44
Cincinnati	1A	7	4,950	2,607	275	2.41	11,966.95		375.00	48,715.37	4.59	4.44	284.93
Columbus	1A	7	4,000	1,125	5	2.28	9,101.79	561.70	9,111.84	17,543.95	8.09		216.70
Cuyahoga Falls	1F	1	1,060	1,612	944	1.51	2,966.80		549.89	2,416.91	1.84	1.50	247.17
Dayton	1F	28	20,280	18,334	3,500	3.43	69,467.59	668.16	31,471.05	80,743.22	3.80	2.08	1,736.58
East Youngstown	1A	1	778				6,252.23	71.85	2,938.52	3,385.56	8.03	4.51	148.86
Elyria	1C	3	1,337			1.66	2,003.92			956.25			125.50
Gallipolis	1F	7	1,165	703	540	.87	1,014.56		159.00	804.40	1.44	1.14	125.50
Massillon	2A	8	2,864	1,600	50	1.90	5,598.31	243.06	2,535.13	14,896.30	6.50	1.92	130.00
Pomeroy	1F	7	1,178	610	458	.76	1,022.62		53.38	835.47	1.46		99.09
Portsmouth	2A	11		898		1	10,022.62	847.06		13,894.06	11.10	11.16	238.63
Struthers	1E	5	1,427	1,284	1,000	1.54	1,976.58		44.15	1,932.43	1.54	1.50	47.06
Toledo	2A	61	40,000	10,003		1.18	47,180.94	2,386.62	19,193.99	152,088.33	4.71	2.90	1,241.00
Wooster	1F	5	1,511	760	515	1.06	1,602.50		29.62	1,572.88	2.11	2.08	38.15
Youngstown	1F	52	21,208	11,413	3,080	3.07	65,204.26	232.02	35,123.71	80,438.95	5.71	2.64	1,616.30
ILLINOIS													
Chicago	3	2	2,206	637	1	.80	1,773.60	13.09	978.50	630.29	2.78	1.25	42.23
Granite City	1F	8	3,267	2,404	986	1.48	4,828.39		889.18	3,939.21	2.00	1.60	345.20
Mattoon	1F	7	2,541	2,114	1,911	4.57	11,616.41	230.00	3,619.90	11,221.19	5.49	5.30	251.26
Moline	2A	10	4,072	1,206	70	3.86	15,702.56	373.09	3,837.53	14,379.22	13.00	11.91	475.83
Oak Park	2B	9	4,996	3,442		2.40	11,934.52		6,908.90	5,025.62	3.47	1.46	314.06
Rock Falls	2A	2	629		5		605.88	40.23	237.19	1,310.28	3.19	1.94	14.43
Rock Island	2A	15	4,078	1,928	1	3.89	15,853.06	659.47	13,867.72	35,095.37	8.24	1.39	378.16
INDIANA													
Evansville	1F	26	11,650	8,814	5,700	3.58	41,614.39	906.18	6,455.34	33,565.30	4.60	3.80	1,209.23
Huntington	1F	6	2,417	2,156		3.07	7,431.69	21.66	2,959.17	4,494.18	3.92	2.08	206.43
Lagansport	1F	9	3,262	1,946	1,860	2.76	9,011.11	104.46	2,787.25	7,273.78	4.62	3.74	314.80
New Albany	1F	9	3,250	2,019	1,473	2.55	8,406.22	119.20	3,541.02	6,712.49	4.16	3.32	296.59
Peru	1F	6	1,910	1,406	860	3.76	7,178.15	45.00	7,600.07	1,975.52	5.10	1.40	181.04
Shelbyville	1F	8	1,974	975	402	.69	1,359.66		129.31	1,230.35	3.38	3.00	90.64
Sullivan	1F	4	1,217	841	700	4.45	5,412.66	61.40	3,364.28	2,611.64	6.43	3.10	131.70
Terre Haute	1F	34	11,347	7,032		4.84	54,900.17	203.70	13,193.98	41,909.89	7.80	5.95	1,086.66
Warsaw	1F	4	1,100	585	300	3.08	3,389.33	5.44	940.17	2,454.60	5.80	4.29	99.68
MICHIGAN													
Albion	1F	5	1,849	833	400	1.95	3,613.74	4.83	1,418.41	2,200.16	4.24	2.64	75.00
Allegan	2B	2	520	100		.36	185.08		102.74	82.34	1.31	.82	4.41
Alma	1F	4	1,425	855	254	1.67	2,585.56	2.66	822.01	1,562.91	2.79	1.83	68.16

SCHOOL SAVINGS BANKING—Continued

SECOND ANNUAL A. B. A. REPORT, 1921

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MICHIGAN—Continued													
Ann Arbor.....	2A	1	1	850	1	1	\$2,081.10	1	\$1,281.10	\$800.00	\$2.45	\$0.94	1
Buttle Creek.....	2A	10	5,000	1,100	500	\$0.63	3,171.06	\$75.00	375.00	816.06	2.88	2.54	\$90.00
*Dimondale.....	2B	2	90	66	40	1.15	104.32		4.44	29.88	1.56	1.51	2.48
Escanaba.....	2B	9	3,088	3,088	1	1.65	5,103.27	6.48	736.93	4,372.82	1.65	1.41	339.45
Flint.....	1F	22	18,567	8,780	4,271	1.25	23,172.32		2,823.43	20,348.89	2.64	2.32	1,053.29
Grand Haven.....	2A	3	1,260	275	40	1.21	1,522.39	38.50	1,256.03	1,903.04	5.51	.97	48.00
Lansing.....	1D	1					15,247.81	441.46	7,661.66	32,909.12			
Marine City.....	1F	3	1,200	944	008	3.97	4,764.26	38.91	3,262.75	1,599.84			129.81
Marshall.....	1F	1	1,280	744	88	2.28	2,923.81	46.31	758.12	6,062.00	9.48	8.14	58.56
Mt. Pleasant.....	2B	5	1,200	1	1	4.43	511.29	8.30	351.48	244.54			
Port Huron.....	1F	15	4,625	2,500	1,500	2.32	10,737.31		3,287.60	7,449.71	3.00	2.00	222.00
Saginaw.....	2B	20	8,781	4,500	1	1.30	11,441.33		2,109.60	9,331.73	2.54	1.26	362.30
*St. Clair.....	3B	2	240	125	1	.67	159.98			73.07	1.28	1.28	3.81
*Sparta.....	2B	1	405	87	1	.78	316.43		52.13	264.30	3.64	3.04	13.21
WISCONSIN													
Cudahy.....	1A	3	995	557	1	3.47	3,439.68	51.00		3,490.68	6.21	6.21	81.89
*Eau Claire.....	1A	1	1	1.22	1	1	782.02			782.09	6.41	1	35.55
Lacrosse.....	2A	3	1,100	506	1	7.09	7,802.07	263.30	7,184.98	10,439.34	15.42	1.22	185.76
Racine.....	1F	16	8,746	4,660	2,000	1.38	12,028.72		1,430.62	10,598.10	2.58	2.30	256.40
West North Central													
MINNESOTA													
Hastings.....	2B	70	45,000	35,000	20,357	2.93	131,816.29	3,038.30	35,708.52	99,146.09	3.85	2.71	3,745.96
St. Paul.....	2A	62	24,567	8,221	6,303	2.14	52,492.07		20,247.72	47,669.57	6.38	3.91	1,359.12
IOWA													
Clinton.....	2A	14	3,276	3,102	65	1.62	5,301.25	104.87	542.53	28,623.55	9.00	2.00	131.10
Sioux City.....	1F	28	13,000	4,000	1,600	1.36	17,680.18		4,083.86	13,596.32	4.42	3.39	700.00
Waterloo (East).....	2A	9	2,500	1,345	1,250	1.52	4,809.34	213.53	3,238.81	7,718.06	3.58	1.17	114.51
Waterloo (West).....	2A	7	2,800	843	40	1.44	4,039.57	337.88	4,064.73	785.82	4.79	1	90.00
NEBRASKA													
*Benson Sta.....	1F	5	1,456	543	215	2.37	3,450.47	18.54	651.11	2,817.90	6.35	5.16	95.84
Lincoln.....	2A	9	1,310			4.50	5,902.98	311.45	3,678.30	2,536.13			
Omaha.....	1A	37	22,000	12,000	5,000	4.12	90,540.23		16,444.89	74,095.34	7.54	6.17	2,155.72
South Atlantic													
DIST. OF COLUMBIA													
Washington.....	1A	2	1,911	1,542	193	11.28	21,554.85	123.51	17,704.77	8,779.27	13.98	5.09	513.21
VIRGINIA													
Hampton.....	1A	5	2,700	1,744	1	2.34	6,314.90		3,520.40	5,437.27	3.62	1.60	150.35
Norfolk.....	2A	25	16,912	5,911	2,069	1.69	28,598.63	318.17	30,308.35	13,903.89	4.95	2.40	890.53
Richmond.....	1A	35	24,841	17,900	8,500	3.30	81,915.37	1,152.75	70,134.50	34,221.39	4.57	.66	1,950.37
WEST VIRGINIA													
*Charleston.....	1F	11	6,160	1,853	30	.47	2,895.85		210.46	2,685.39	1.56	1.44	68.95
*Pt. Pleasant.....	1F	4	802	448	401		619.54			619.54			77.47
St. Albans.....	1F	4	950	562	192	.74	709.82		72.48	637.34	1.26	1.15	118.30
*So. Charleston.....	1F	1	700	302	286	.28	196.11		60.60	136.11			28.11
GEORGIA													
Macon.....	2A	14	6,255	4,000	475	2.16	13,492.21	35.05	2,306.81	11,220.45	7.21	5.38	89.40
East So. Central													
KENTUCKY													
Covington.....	1F	16	5,103	3,170	762	3.52	17,972.21	61.16	8,186.64	14,042.36	5.69	4.43	438.34
*Fulton.....	1F	4	1,257	889	545	1.88	2,364.22		304.00	2,079.39			111.79
Lexington.....	1F	13	5,599	1	10	1.30	7,299.82		3,763.56	4,817.59			173.80
Louisville.....	1F	64	24,403	19,400	8,342	2.37	81,373.95		32,514.09	81,168.08	4.19	4.18	2,034.34
Owensboro.....	1F	12	2,964	1,933	1,850	3.89	11,533.27	116.73	6,290.78	5,312.87			301.22
TENNESSEE													
Memphis.....	1F	39	20,911	16,000	5,200	2.46	66,162.34	36.21	17,199.99	48,998.56	4.14	3.06	2,067.57

SCHOOL SAVINGS BANKING—Continued

SECOND ANNUAL A. B. A. REPORT, 1921

(Compiled by Savings Bank Division, American Bankers Association)

CITY	Plan No.	Schools	Enrollment	Participating	Average Number Depositing Each Week	Average Gross Collections Account All Pupils	Collections	Interest Earned	Cash Withdrawals	Bank Balance, June 30th	Average Gross Deposit for Year	Average Net Deposit for Year	Average Weekly Total Collections
MISSISSIPPI													
*Jackson.....	2B	3	1,175	456	1	\$2.70	\$3,182.79	.....	\$91.92	\$2,604.85	\$7.00	\$6.75	\$75.78
LOUISIANA													
Baton Rouge.....	2B	1	1	1,408	1	1	6,366.12	1	1	1	.....	4.52	1
OKLAHOMA													
Tulsa.....	2B	22	11,000	5,500	153	.90	9,854.88	\$110.70	4,398.93	7,045.65	1.79	.86	27.39
Pacific													
CALIFORNIA													
Berkeley.....	1A	2	850	580	65	1.83	1,556.15	76.40	1,409.47	4,384.75	2.69	.25	29.92
Oakland.....	2A	39	27,769	8,200	2,200	4.09	113,652.74	7,988.12	92,393.30	*237,886.42	13.87	3.57	534.38
San Francisco.....	2A	312	81,000	27,060	7,600	2.88	233,238.46	25,461.15	77,746.15	*828,514.83	8.62	5.74	5,553.30
San Jose.....	1A	11	7,200	2,460	250	5.56	40,054.06	297.16	32,612.87	22,036.23	16.28	3.02	953.67
Watsonville.....	1A	6	1,808	330	54	.85	1,529.83	12.14	532.72	1,713.19	4.63	3.02	49.00

*Established since September, 1920.

†Figures not available.

‡Holden includes Oakham, Paxton and Rutland.

§Includes only the interest on school fund, which does not accrue to pupils.

¶San Francisco includes all data from one bank's system of which about one-third of the schools are in the city of San Francisco and two-thirds are in the following cities, villages and towns: Cities of Burlingame, Chowchilla, Daly City, Fresno, Gilroy, Hollister, Livermore, Madera, Merced, Modesto, Napa, Redwood City, San Jose, San Juan, San Mateo, Santa Clara, Santa Rosa, South San Francisco, Stockton, Vallejo; villages of Altamont, Athlone, Bagby, Berenda, Cement, Dublin, El Portal, Herndon, Huichia, Kentfield, Kenwood, Linden, Malaga, Midway, Peters, San Carlos, San Vaidro, Washington Colony, Wawona, Yosemite; towns of Albany, Alviso, Banta, Belmont, Berryessa, Colma, Corte Madera, Cotati, French Camp, Glen Ellen, Half Moon Bay, Hornitos, Keyes, Larkspur, Lathrop, Lomita Park, Mariposa, Mayfield, Millbrae, Milpitas, Penn Grove, Salida, San Bruno and Schellville.

*Includes balances of former pupils.

Keeping Employees Physically Fit

A WELL man or woman can put more energy into his or her work and do it more efficiently than the man or woman with some annoying ailment. The advantages of preventive medicine are generally conceded in the industrial field and banks and trust companies are adopting methods and organizing departments whereby the health of employees is being safeguarded.

One of the first financial institutions to introduce protective medicine among trust companies was the Guaranty of New York. With a medical department composed of five physicians, one of whom is a woman, the company is prepared to give its employees every medical attention. Two physicians are on duty in the morning; three in the afternoon. A trained nurse is on duty throughout the day, while another nurse visits employees who are at home sick and reports to the department the progress of these cases. Every applicant for employment must pass a thorough physical examination before being accepted. Those who, upon examination, show some slight ailment must receive medical attention and be reported cured before

being accepted for permanent employment.

Every employee receives a yearly physical examination and advice is given regarding conditions found which can be remedied. The services of specialists for unusual cases are made available at special rates.

The medical department handles from sixty to ninety patients a day and where it is thought advisable it is recommended that employees consult and receive treatment from their own physician. Information of a private or professional nature is held in strict confidence and visits to the department do not militate against an employee's record. A system of code numbers is used for identification purposes in place of names on the history chart, which system makes it almost impossible for anyone outside the department to identify a history.

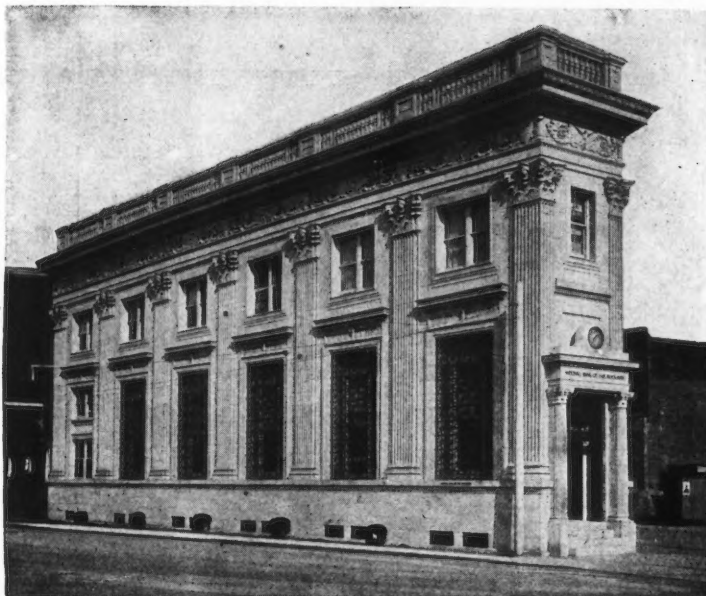
During the year 1920 this medical department reported 10,630 consultations by employees. Of this number 6,526 visits were by men and 4,104 by women. During the same year 1,726 men and women were examined and of these 1,226 were rated as practically without

defect. Seventeen employees were found to be in a condition of health which made it advisable for them to leave the service of the company. Of the 1,726 employees examined, 342 needed dental treatment. The next most prevalent conditions found were large or diseased tonsils, defects in vision and underweight. Less than 100 members of the company were found to be suffering from serious defects.

Of 2,053 applicants for employment, 1,248 were accepted unconditionally, 537 were accepted conditionally and 268 were rejected. Of those rejected permission was given to a number to reapply after defects had been remedied. About ninety-five rejected applicants were re-examined and accepted.

It is not possible to estimate the time saved by having medical treatment at hand, for emergencies and for preventive treatment, which enables employees to keep at work, nor by sending employees home in time to avert serious complications. From the 10,000 visits made during the year 1920 to the medical department, one can gain a pretty definite idea of the service this department is rendering to the company and to its employees.

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of the
COMMUNITY"



White matt glazed Terra Cotta

JOSEPH L. STEINAM, Architect

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FAR ROCKAWAY, N. Y.

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Experience has proved that a handsome bank building attracts new depositors. But its influence does not stop there. It encourages the erection of other handsome buildings; it raises land values; elevates the community.

Study the National Bank of Far Rockaway shown above. Constructed of white matt glazed Terra Cotta, this bank achieves

dignity and distinction, in spite of its difficult narrow site. Its walls are unusually rich in fine decorative detail. Maintenance cost for the facing of this bank is practically negligible; for Terra Cotta is unaffected by weather or time.

But this building is only one example of the use of Terra Cotta in bank construction. Our new brochure, "Better Banks," shows banks, large and small, all over the country, that have been built or remodelled with Terra Cotta. Another brochure, "Terra Cotta Defined," will give you the interesting general story of the material. Either or both will be sent free on request by National Terra Cotta Society, 1 Madison Avenue, New York, N. Y.

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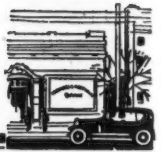
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Profitable

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STATE BANK DIVISION



Annual Meeting at Los Angeles

The annual meeting of the State Bank Division will be held at Los Angeles the first week in October at the time of the annual convention of the American Bankers Association. The State Bank Division is arranging an attractive program which ought to be of interest to state bankers in general and country state bankers in particular. The sessions of the State Bank Division will be held at the Hotel Alexandria, but most of the members will be domiciled at the Hotel Rosslyn, which is convenient to the Alexandria.

It is expected that a representative of the National Association of Supervisors of State Banks will deliver an address, and the subject of "Country Banks and Farm Finance" will be discussed under the leadership of some competent authority. It is not proposed to criticize the Federal Farm Loan System, but the idea has been suggested that such system would have been more successful if it had utilized existing banks authorized to take farm mortgages, rather than create new local loan associations. The idea has also been expressed that some central institution might be created by private capital that would rediscount farm mortgages for local banks and issue debentures on the basis of such collateral. Such a plan would be in accordance with the plan under which Federal reserve banks rediscount commercial paper for members.

The subject of "Par Collections" will enliven one of the meetings of the State Bank Division. Chairman Charles de B. Claiborne will submit a report of the activities of the Exchange Committees, which have been working in conjunction with the National and State Bankers Protective Association. A general discussion will follow.

Division Vice-Presidents

The State vice-presidents of the State Bank Division thus far elected and reported by various state bankers associations are as follows:

Alabama—Wm. S. Peebles, president Citizens Bank & Trust Company, Athens.
 Arizona—A. G. Smith, president Co-chise County State Bank, Tombstone.
 Arkansas—Loid Rainwater, president Bank of Morrilton, Morrilton.
 California—P. E. Hatch, president Long Beach Trust & Savings Bank, Long Beach.
 Connecticut—Frederick F. Fisher, cashier Connecticut River Banking Company, Hartford.
 District of Columbia—W. W. Spaid, W. B. Hibbs & Company, Washington.
 Florida—A. Livingston, president Citizens Bank, Madison.
 Georgia—W. C. Scovill, cashier Exchange Bank, Albany.

Idaho—Ramsay M. Walker, vice-president Wallace Bank & Trust Company, Wallace.

Illinois—M. O. Williamson, president Peoples Trust & Savings Bank, Galesburg.

Indiana—J. J. Kiser, vice-president Meyer-Kiser Bank, Indianapolis.

Iowa—Emil Webbles, vice-president Iowa State Savings Bank, Burlington.

Kansas—H. W. Grass, president Farmers & Merchants State Bank, La Crosse.

Louisiana—J. P. Turregano, vice-president Commercial Bank & Trust Company, Alexandria.

Maine—Geo. A. Safford, treasurer Hollowell Trust & Banking Company, Hollowell.

Maryland—A. W. Sisk, president Provident State Bank, Preston.

Massachusetts—F. A. Shove, treasurer Malden Savings Bank, Malden.

Michigan—W. A. Rosenkrans, cashier State Savings Bank, Owosso.

Minnesota—F. A. Gross, president North American Bank, Minneapolis.

Mississippi—R. D. Gage, president Port Gibson Bank, Port Gibson.

Missouri—T. K. Shelby, vice-president Wellsville Bank, Wellsville.

Nebraska—H. A. Schneider, cashier Plattsmouth State Bank, Plattsmouth.

Nevada—E. W. Blair, cashier Tonopah Banking Corporation, Tonopah.

New Hampshire—Geo. W. Fowler, treasurer Suncook Bank, Suncook.

New Jersey—E. H. Holmes, cashier Bank of Montclair, Montclair.

New York—F. E. Johnson, vice-president Bank of Cattaraugus, Cattaraugus.

North Carolina—W. J. Byerly, president Bank of Mt. Airy, Mt. Airy.

Ohio—Samuel McCune, vice-president Midland Bank, Cleveland.

Oklahoma—John G. Parker, Jr., cashier Garfield County Bank, Enid.

Oregon—R. S. Howard, vice-president Ladd & Tilton Bank, Portland.

Rhode Island—John W. Whillans, assistant treasurer Citizens Savings Bank, Providence.

South Carolina—L. L. Parker, president Bank of Pageland, Pageland.

Tennessee—E. L. Rice, vice-president Bank of Commerce & Trust Company, Memphis.

Texas—L. H. Squires, vice-president Central State Bank, Dallas.

Utah—J. D. Dixon, cashier Farmers & Merchants Bank, Provo.

Virginia—H. Fleetwood, vice-president Bank of Waverly, Waverly.

Washington—N. B. Coffman, president Coffman-Dobson Bank & Trust Company, Chehalis.

Wisconsin—L. A. Gunz, cashier State Exchange Bank, Oshkosh.

State vice-presidents hold office from the annual meeting of the Division next following their election or appointment until the next annual meeting of the Division. Consequently the term of the gentlemen enumerated in the foregoing list begins at the time of the annual meeting in Los Angeles early in October. The Division by-laws provide that state vice-presidents shall act in an advisory capacity to the Executive Committee, offering suggestions regarding matters of vital interest to the banks in their respective states. State vice-presidents are members of the State Legislative Committee of the State Bank Division and are also members of the State Legislative Council of the American Bankers Association. State vice-presidents are members of the Membership Committee of the State Bank Division and, in conjunction with the State Vice-Presidents of the American Bankers Association and the state vice-presidents of other Divisions in respective states, are charged with the duty of obtaining new members and retaining old members of the American Bankers Association.

New Bank Commissioner in Utah

Word has been received that Hon. Seth Pixton has been appointed Bank Commissioner of the state of Utah, to succeed Hon. N. T. Porter.

The State Banking Department of California has recently authorized H. C. Harding to maintain offices in San Francisco as Pacific coast representative of The Equitable Trust Company of New York, the third largest Trust Company in the country.

The Bank of Eastern Arkansas of Forrest City, Arkansas, recently celebrated its thirty-fifth anniversary by joining the Federal Reserve.

Convention Calendar

DATE	ASSOCIATION	PLACE
Aug. 3-4	Wyoming	Sheridan
Aug. 5-6	Montana	Helena
Aug. 24-25	Kentucky	Louisville
Sept. 1	Delaware	Rehoboth
Sept. 9-10	New Mexico	Santa Fe
Sept. 14-15	West Virginia	Parkersburg
Oct. 3-8	A. B. A.,	Los Angeles, Calif.
Nov. 4-5	Castle Hot Springs,	Ariz.



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Membership Changes

REPORTED FROM JUNE 26, 1921, TO JULY 25, 1921

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

California.....	Alameda.....	Alameda National Bank succeeded by Bank of Alameda.	New York.....	New York.....	Clarence Hodson & Co. changed to Clarence Hodson & Co., Inc.
	Centerville.....	First National Bank succeeded by Bank of Italy.			Imbrie & Company in receiver's hands.
	Hayward.....	First National Bank succeeded by Bank of Italy.	North Dakota.....	New Salem.....	Union Farmers State Bank reopened.
	King City.....	First National Bank succeeded by Bank of Italy.	Ohio.....	Walum.....	Farmers State Bank closed.
	Lompoc.....	First National Bank succeeded by Bank of Italy.		Ironton.....	Second National Bank consolidated with First National Bank.
	Los Banos.....	First National Bank succeeded by Bank of Italy.		Fremont.....	Colonial Savings Bank & Trust Company changed to Colonial Savings Bank.
	Paso Robles.....	Citizens Bank succeeded by Bank of Italy.	Oklahoma.....	Anadarko.....	National Bank of Anadarko changed to Anadarko National Bank.
Colorado.....	Simla.....	State Bank of Simla consolidated with and membership transferred to First National Bank.		Boswell.....	First State Bank consolidated with First National Bank.
				Kiefer.....	Central State Bank succeeded by Security State Bank.
Florida.....	Fort Pierce.....	Bank of Fort Pierce changed to Fort Pierce Bank and Trust Company.	Oregon.....	Prineville.....	Crook County Bank closed.
Illinois.....	Kankakee.....	American State & Savings Bank succeeded by Legris Trust & Savings Bank.	Pennsylvania.....	Reading.....	First National Bank taken over by Pennsylvania Trust Company.
Iowa.....	Milford.....	Farmers Trust & Savings Bank consolidated with Milford National Bank.		Wilkes-Barre.....	South Side Bank changed to South Side Bank and Trust Company.
Maryland.....	Emmitsburg.....	Emmitsburg Savings Bank succeeded by Central Trust Company of Maryland.	Texas.....	Eastland.....	American National Bank taken over by Security State Bank & Trust Co.
Massachusetts.....	Boston.....	Equitable Trust Company merged with Beacon Trust Co.		Sealy.....	Farmers National Bank consolidated with Sealy National Bank.
Minnesota.....	Montevideo.....	Chippewa County State Bank closed.	Virginia.....	Bowling Green.....	Carolina County Bank changed to Union Bank and Trust Company.
Mississippi.....	Greenville.....	Commercial Savings Bank succeeded by Commercial Bank.	Washington.....	Black Diamond.....	State Bank of Black Diamond liquidating.
Montana.....	Billings.....	Merchants National Bank consolidated with Yellowstone National Bank as Yellowstone National Bank.		Seattle.....	State Bank of Seattle consolidated with Northwest Trust & Savings Bank as Northwest Trust & State Bank.
New Jersey.....	Paterson.....	Paterson Safe Deposit and Trust Company changed to National Trust Bank.	West Virginia.....	Sisterville.....	First National Bank merged with Tyler County Bank as First-Tyler Bank and Trust Company.
			Porto Rico.....	San Juan.....	Enrique Adsuar succeeded by Manuel M. Martinez, as Secretary of Porto Rico Bankers Assn.

New and Regained Members from June 26 to July 25, 1921, Inclusive

Alabama
First Bank of Red Level, Red Level 61-348. (Regained.)

Arkansas
Bank of Branch, Branch 81-301.
Guaranty Bank & Trust Co., El Dorado 81-646. (Regained.)
Peoples Bank, Portland 81-248. (Regained.)

California
Corona National Bank, Corona 90-320. (Regained.)
Farmers & Merchants Bank, Fillmore 90-799. (Regained.)
Bank of Lake, Lakeport 90-511.
Moneta Commercial Bank, Moneta 90-635.
Citizens National Bank, Elato 90-941.

Colorado
Bristol State Bank, Bristol 82-219.
First National Bank, Burlington 82-420.

Florida
High Springs Bank, High Springs 63-172.
First State Bank of Pablo, Pablo Beach 63-355.
American State Bank, Zephyrhills 63-302. (Regained.)

Georgia
Bank of Barwick, Barwick 64-537. (Regained.)
Farmers Bank, Pelham 64-287.
Farmers & Merchants Bank, Thomaston 64-308.

Idaho
Bank of Reubens, Reubens 92-198.

Illinois
Farmers State Bank, Armington 70-1716.
Brookport National Bank, Brookport 70-740.
Bank of Brussels, Brussels 70-1193. (Regained.)
First National Bank, Cicero 70-2012.
Peoples Bank, Clinton 70-398.

Indiana
Beech Grove State Bank, Beech Grove 71-1018.

Iowa
Peoples State Bank, Guthrie Center 72-1703.
Farmers Savings Bank, Lamont 72-915.

Iowa—Continued
Farmers Bank, Liberty Center 72-1421.
State Bank of Schaller, Schaller 72-851.

Kansas
Alma National Bank, Alma 83-380.
Lincolnville State Bank, Lincolnville 83-918.
Citizens State Bank, Morland 83-691.
C. M. Condon & Co. State Bank, Oswego 83-229. (Regained.)

Kansas—Continued
Farmers State Bank, Page 83-1260.

Kentucky
Security State Bank, Corbin 73-699.
Hazard Bank & Trust Co., Hazard 73-709.
Traders' National Bank, Mount Sterling 73-150.
Union Bank, Stithton 73-410.

Louisiana
Citizens National Bank, Hammond 84-387.

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